Austria Sch22	Indonesia ... Rp3100	Portugal Esc120
Bahrain ... Din0.650	Israel NS3.50	S.Arabia Rls7.00
Belgium BFr48	Italy L1700	Singapore ... S$4.10
Canada .... C$1.00	Japan Y600	Spain Pta145
Cyprus ...... C£0.90	Jordan Fils.500	Sri Lanka Rup30
Denmark . DKr10.00	Kuwait Fils.500	Sweden SKr9.00
Egypt .... E£2.25	Lebanon .. SL125.00	Switz SFr2.30
Finland Fmk7.00	Lux LFr48	Taiwan ...... NT$85
France FFr6.50	Malaysia ... Rin4.25	Thailand Bht50
Germany ... DM2.30	Mexico Pes300	Tunisia Din0.800
Greece Dr120	Morocco Dh6.00	Turkey L600
Hong Kong... HK$12	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway ... Nkr10.00	USA $1.00

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,517 | Tuesday April 19 1988 | D 8523 A

Grim warning on African debt, Page 4

World News | **Business Summary**

Demjanjuk convicted of Nazi war crimes

An Israeli court convicted John Demjanjuk of Nazi war crimes, saying he was gas chamber operator "Ivan the Terrible" at the Treblinka death camp during the Second World War.

Demjanjuk, 68, could face death by hanging. A hearing on sentence was set for next Monday. Page 26

Dukakis 'slightly ahead'

Governor Michael Dukakis was barnstorming across New York State in an effort to shore up what appeared to be only a narrow lead over his main rival, the Rev Jesse Jackson, in the pivotal state primary election. Page 8

Anti-apartheid call

De Beers diamond corporation chairman Ogilvie Thompson called for a new constitution in South Africa granting full political and economic equality to the nation's voteless blacks in the company's annual report.

Argentina rations power

Electricity rationing was introduced in Argentina because of the forced shutdown of the country's two nuclear power stations and a fall in the water level of the dams at the main hydroelectric plants due to low rainfall. Page 8

Soviet arrests

More than 80 people have been arrested over the ethnic rioting in Azerbaijan that killed 32 people, a Soviet official said.

Plea on F16 crashes

West German Defence Minister Manfred Wörner called on the US to consider suspending flights in Europe of the General Dynamics F16 fighter following a crash in rural Hunsrück. Page 2

Irish jail death

A man was found hanged in a Dublin jail and five prisoners were still on the run after troops and police replaced Ireland's prison officers on the third day of a strike.

Panama banks open

Queues formed outside Panamanian banks which opened to receive only deposits after being shut six weeks ago by US economic sanctions aimed at ousting military leader Manuel Antonio Noriega.

Mozambique hitch

MNR rebels in Mozambique were delaying a railway project designed to reduce black southern African states' dependence on South African routes. Page 4

Punjab gunbattle

Police fought a two-hour gunbattle with Sikh militants in Punjab, killing all six including two senior guerrillas.

Papal remains stolen

The remains of 13th century Pope Celestine V were stolen from a church at L'Aquila, east of Rome, where they were kept in a glass-lidded coffin.

Cheating students riot

Nearly 100 people were injured when Bangladeshi students demanding the right to cheat during college final examinations – and protesting against strict monitoring – fought teachers and police in northern and western areas of Bangladesh.

Fish 'feel pain'

A West German court fined organisers of an angling competition for cruelty after ruling that fish felt pain and that hooking fish, keeping them in nets and touching them for weighing was illegal.

AT&T chief dies

James Olson, who rose from manhole digger to chairman of American Telephone and Telegraph, died at his home in New Jersey aged 62. Page 27

Apple lifts net income by 135% to $79m

APPLE COMPUTER, California-based personal computer manufacturer, increased net income by 135 per cent to $79.7m in the second quarter. Page 27

UK RETAIL sales volume fell a seasonally adjusted 0.3 per cent in March, according to provisional figures from the Department of Trade and Industry, adding to evidence suggesting an economic slowdown. Page 12

LONDON: Blue chip exporters led an early rise as equities continued the rally from worries over the US trade data. However, the outbreak of hostility in the Gulf led to the FT-SE 100 index finishing only 9.2 higher at 1,787.8. Page 44

WALL STREET: The Dow Jones industrial average closed down 5.81 at 2,008.12. Page 48

TOKYO: The unexpectedly large US trade deficit figures continued to weigh heavily on investors, helping drive share prices sharply lower. The Nikkei average closed down 222.12 at 26,671.45. Page 48

DOLLAR closed in New York at DM1.6605; Y124.25; SFr1.3730; FFr5.6385. It closed in London at DM1.6565 (DM1.6605); Y124.0 (Y123.85); SFr1.3705 (SFr1.3720); FFr5.6275 (FFr5.6325). Page 37

STERLING closed in New York at $1.9005. It closed in London at $1.9050 ($1.8895); DM3.1550 (DM3.1375); Y236.25 (Y234.0); SFr2.61 (SFr2.5925); FFr10.72 (FFr10.6425). Page 37

VOLVO of North America is recalling 90,000 1983 and early 1984 models because they exceed carbon monoxide and hydrocarbon exhaust requirements.

AEROMEXICO, state-owned airline, has filed for bankruptcy. Page 8

SEARS ROEBUCK, largest US retailer, reported first-quarter net income down to $179.5m from $287.9m. Page 27

WEST GERMAN labour costs have leapt from fifth to second highest in the world since 1985, according to Instituts der Deutschen Wirtschaft, employment research institute. Page 2

EUROPEAN COMMUNITY crude steel production jumped 10.7 per cent to just over 11m tonnes in February. Page 2

SIR Gordon Borrie, UK Director General of Fair Trading, approved the rulebook of Nasdaq, US telephone-based stock exchange, the first foreign exchange to seek recognition under the Financial Services Act.

GENENTECH, US genetic engineering company, reported first-quarter earnings of $15.2m, up from $4.5m. Page 27

NCR, US computer maker, increased first-quarter profits by 20 per cent to $74.1m. Page 27

FRENCH Government is expected to give the go-ahead for the bid by Pearson, UK publishing, banking and industrial group, for Les Echos French press group. Page 2

BRAZILIAN Government is soon to announce public expenditure cuts believed to be about 1 per cent of gross domestic product, or about $2.8bn. Page 8

OLIVETTI, Italian office automation group, is buying majority control of Scanvest-Ring, Norwegian manufacturer and distributor of integrated data processing systems, in a deal expected to cost between $60m and $80m. Page 29

BANQUE NATIONALE de Paris, second largest French banking group, has reported a 6 per cent drop in profits last year to FFr2.84bn ($504m). Page 29

RANK ORGANISATION, leisure and entertainments group, is to pay $90m for the video duplication interests owned jointly by Columbia Pictures Entertainment, Paramount Pictures Corporation and Bell & Howell, US educational publisher. Page 35

Reagan prepared to take further action against Iran

BY LIONEL BARBER IN WASHINGTON AND ANDREW GOWERS IN LONDON

PRESIDENT Ronald Reagan warned Iran last night that it would "pay a price" if it continued to threaten US interests in the Gulf.

"We've taken this action to make certain the Iranians have no illusions about the cost of irresponsible behaviour," he said. He was speaking in Washington after a series of naval skirmishes which amounted to the most serious confrontation between the Iranians and American forces patrolling the Gulf.

"Following the destruction of the two Iranian military platforms, whose personnel had evacuated after our warning, several Iran naval vessels and small boats attempted to engage our ships and aircraft," the President said.

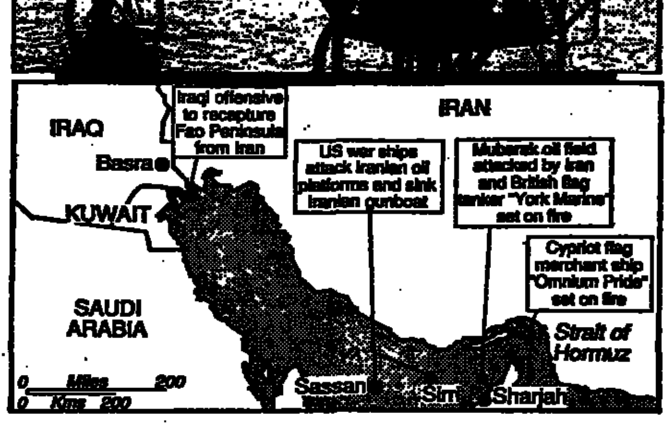
However, the Defence Department said later that two Iranian navy frigates had been attacked and disabled and four smaller gunboats either sunk or damaged.

The US Navy yesterday destroyed two Iranian oil rigs in the Sirri and Sassan fields in the southern Gulf and subsequently sank an Iranian gunboat and damaged two Iranian frigates in battles ranging over several hours and involving missiles and laser-guided bombs.

Iran responded to the US action by attacking an oil platform in the Mubarak oil field 30 miles off Sharjah in the United Arab Emirates, causing it to suspend production.

A British-flagged storage vessel, the 112,744 tonne Hong Kong-registered York Marine, was set ablaze in the attack.

No American casualties were immediately reported in clashes at the rigs and elswhere in the Gulf, but Mr Frank Carlucci, the Defence secretary, said an attack helicopter with two crewmen aboard was late in returning to a Navy cruiser and that a search had been mounted for the aircraft.



President Reagan described the US action as a "measured response" to Tehran's apparent resumption of mine-laying in the Gulf and a move to re-establish the deterrent effect of the 29-vessel US naval force in the region.

Iran also appeared to be coming under pressure in the land war against Iraq yesterday, with Baghdad announcing it had recaptured the strategic Fao peninsula from Iranian forces. Iran, whose original seizure of the southern peninsula from Iraq in 1986 was its biggest military success, acknowledged it had been forced to "redeploy" its forces there to defensive positions. It also claimed that US military helicopters had helped the Iraqis in their offensive, an allegation dismissed by the State Department in Washington.

Yesterday's confrontation between the Americans and Iranians stemmed from an underwater explosion which severely damaged the USS Samuel B. Roberts and slightly wounded 10 crewmen in the Gulf last Thursday, and other evidence that Iran has resumed laying mines in the waterway in the past week.

The State Department said yesterday the US took action after it had warned Tehran for the fifth time in a diplomatic note that mine-laying would bring retaliation. A spokesman said four diplomatic notes were sent last July, September and October reminding Iran that "such hostile actions will be defended against in the future by US forces." A fifth note was sent after new mines damaged the USS Samuel B.Roberts.

Yesterday's action began at about 9am local time (5am GMT), when US warships opened fire on the Sassan and Sirri platforms. The Sirri rig was destroyed by gunfire and the Sassan platform was blown up by US explosives specialists.

The strike developed into a series of naval skirmishes. US warships scored a direct hit, sinking an Iranian patrol boat which fired a Harpoon ship-to-ship missile at the US cruiser Wainwright during the bombardment.

About seven hours later, near the Strait of Hormuz, the Iranian frigate Sahand fired on three US Navy A-6 warplanes and was hit with two more Harpoon missiles and laser-guided bombs, leaving it badly damaged and on fire. Some 90 minutes after that, another Iranian frigate, the Sabalan, fired at a US jet and was hit with a single bomb.

Western European Union's firm line, Page 2; Iran's changing fortunes, Page 4; Hijack marks a shift in politics, Page 25

Italian bank makes agreed bid for Irving

BY ANATOLE KALETSKY IN NEW YORK

BANCA Commerciale Italiana, Italy's second largest state bank, emerged yesterday as the white knight for Irving Bank, the venerable Wall Street institution fighting an acrimonious battle against a $1.1bn takeover bid from Bank of New York.

Under the deal announced yesterday, BCI agreed to mount a cash tender offer of $65 per share, or $617.5m, for 51 per cent of Irving's common stock, leaving open the possibility of gradually buying the whole bank. In addition, after the tender is completed, Irving's board promised to pay a special cash dividend of $10 a share.

Irving, the 24th largest US commercial bank, with assets of $24.1bn, would become the second biggest US bank under foreign control if the deal goes through, after Hong Kong Bank's Marine Midland subsidiary.

Irving would finance the special dividend by selling its celebrated headquarters at Number One Wall Street, as well as its 39 per cent stake in Banca Della Svizzeria Italiana, a medium-sized Swiss bank. BCI said it would pass on its portion of the dividend to other shareholders by buying Irving stock on the open market.

The deal's total value would depend crucially on how much Irving's shares were worth in the open market after all the transactions were completed. Irving argued yesterday that its share price might settle at around $45 to $55, based on forecast earnings of $10 a share in 1988, and a regular dividend which the board boosted yesterday by 86 per cent to $4.50.

At Irving's indicated share price of $45, arbitrageurs estimated the final value of BCI's offer at around $65. Assuming a more pessimistic share price of $40 a share after the completion of the tender offer, the offer would be worth $62¾.

John Wyles adds from Rome: BCI has been aggressively seeking expansion at home and abroad over the past five years. Profits have been rising steadily to L314.4bn net ($255m) last year, on a deposit base of L29,204bn.

Increasingly active in corporate lending, the bank also plans to expand its retail sector by adding 350 branches over the next five years to its current 500-strong network.

Chase doubles its earnings to $277m

CHASE MANHATTAN, the second largest US bank group, more than doubled its reported profits in the first quarter, although its underlying net income, excluding special items, increased by a more moderate 23 per cent, writes Anatole Kaletsky in New York.

The group's consolidated net income was $277m or $3.09 a share, compared with $104m or $1.12 in the first quarter of 1987. However, most of the improvement was due to one-time gains from asset disposals and tax benefits. Page 27

Oil price surges as Gulf conflict escalates

BY SIMON HOLBERTON AND STEVEN BUTLER IN LONDON

RENEWED TENSIONS in the Gulf yesterday led to a surge in the price of oil and lent stability to the dollar.

Sterling rose sharply on foreign exchange markets and closed in London at its highest levels for more than two years. The rise in the pound sparked speculation in UK financial markets of a further cut in bank base lending rates.

The price of gold also firmed following reports of the US naval actions in the Gulf. At one stage the metal was quoted at its highest price since early January, but closed off its highs at $459.50 an ounce.

Oil markets reacted strongly to what was the most dramatic upsurge of violence in the Gulf this year and brought prices to their highest levels in four months.

Brent oil for May delivery closed off its highs, up 45 cents at $17.525 a barrel, but the price was subject to wild swings during the day as the market responded to events. On the New York Mercantile Exchange May futures contracts were 49 cents up at $18.86 in midday trading.

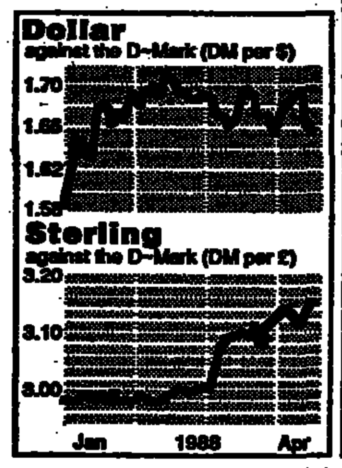
In late afternoon trading on the New York Mercantile Exchange, crude oil prices held on to gains recorded earlier in the day as news emerged of conflict in the Gulf. Crude for May delivery was quoted at $18.81 a barrel, up 44 cents from Friday.

The dollar drew most of its support from the Gulf crisis early in the European trading day. However, by lunchtime the market's attention had begun to switch to the pound.

In London, the pound closed at DM3.1550 compared with DM3.1375 last Friday and at $1.9050 compared with $1.8895. The Bank of England's trade-weighted sterling index closed 0.4 points up at 75.7.

New York currency dealers

Continued on Page 26



Bank of Ireland to buy US bank for $370m

BY DAVID LASCELLES, BANKING EDITOR, IN LONDON

BANK OF IRELAND, one of the republic's two principal clearing banks, is to buy a regional US bank in the New England state of New Hampshire for $370m.

The acquisition, the largest yet made by an Irish bank, reflects Bank of Ireland's need to expand outside the republic's relatively limited financial services market and tap new sources of earnings.

Under an agreed deal, the Dublin-based bank is acquiring First NH Banks, an institution with 64 branches and $2.5bn in assets. Bank of Ireland described it as "the largest and most profitable bank" in New Hampshire, a state which has recently enjoyed one of the strongest growth records in the US.

First NH Banks has no exposure to Third World countries in financial difficulty, and has largely escaped the effects of the US's troubled energy and agricultural sectors. Over the last five years its earnings per share have grown at an average compound rate of over 20 per cent. Last year its net income was $23.4m and net assets totalled $152m.

Bank of Ireland will finance the acquisition in three stages. First, it will make a I£74m rights issue ($118.4m) on a one-for-four basis at 150p per share. This will

Continued on Page 26

Japan, EC sign accord to boost prices in shipbuilding industry

BY WILLIAM DAWKINS IN BRUSSELS

JAPAN and the European Community have signed an outline accord to work together to open up competition and improve prices in the world's heavily loss-making shipbuilding industry.

The agreement reduces the likelihood of the European Commission carrying out its threat, made last month, to charge punitive port duties on Japanese vessels sold at what it claims are unfairly low prices.

But Commission officials yesterday emphasised that they are not yet satisfied that Japan, which builds nearly half of the world's ships, is doing enough to shed overcapacity and restore prices to profitable levels.

Brussels is about to open talks on the same issue with South Korea, possibly at ambassadorial level. Japanese shipbuilders are already involved in discussions with their heavily subsidised competitors in South Korea on ways to curb the industry's increasingly ruinous price cutting.

The agreement is the outcome of negotiations in Tokyo last week between senior Commission officials, led by Mr Jos Loeff, deputy director general for external relations, and their counterparts in the Japanese Foreign Affairs and Transport ministries.

"Our threat is no longer in the foreground. But it is still a cloud in the background. The Japanese were basically positive," said a Commission official.

But officials say that if Brussels feels Japan and South Korea have failed by the end of June to make sufficient progress in promoting free competition in shipbuilding, it will ask member states for permission to charge levies whenever the ships concerned load and unload at EC ports.

The five point accord says that the two sides agree:

- The grave situation in world shipbuilding, characterised by persistent overcapacity, government subsidies and prices falling below profitable levels, demands particular attention.
- To work together for the "common objective of urgent improvement of the market situation," especially with a view to clarifying the basis on which prices are set, helping restore prices to profitable levels.
- To hold regular meetings to on how to bring these about.
- To invite other shipbuilding nations – mainly South Korea and Finland – to join in the accord.
- To allow Japan to reduce its export credits for shipbuilders closer in line with market rates, a clause which Commission officials say was a concession to encourage Tokyo to participate in the agreement.

The main sticking point with Japan is the EC's claim that Tokyo has not closed proportionately as much capacity as the Community, and that it is using artificial prices to keep its yards in business.

According to Commission estimates, EC yards have reduced their production potential by 64 per cent since 1975, from 6.1m gross tonnes (grt) to 2.2m grt. Japan has cut its capacity by just 43 per cent, from 8.6m grt to 4.6m

While specific figures were not mentioned in last week's talks, Commission officials point out that Japan would have to cut its shipbuilding capacity by another 1.5m grt to achieve the same percentage reduction as the EC.

British shipbuilders thrown overboard, Page 13

CONTENTS

WHY RACIAL THEMES OF LE PEN ARE MUSIC TO MANY EARS

France's National Front leader is not short of supporters in Marseilles, Page 26

Italy's political ranks close in face of Senator's assassination

BY JOHN WYLES IN ROME

HE WAS by all accounts an extremely nice, gentle man: Roberto Ruffilli who was buried in his home town of Forli yesterday with three bullet holes in his neck. Led by President Francesco Cossiga, the giants of political Italy joined the ranks of mourners in yet another solemn affirmation that the state will not be demoralised by this latest terrorist execution.

Their unanimity about the meaning of Senator Ruffilli's murder in his own living room in Forli near Bologna on Saturday afternoon has been both swift and unsurprising. By striking down this mild-mannered 51-year-old professor of modern history, it is said the gunmen of the Fighting Communist Party wing of the Red Brigades were deliberately seeking to undermine the political strategy of Mr Ciriaco De Mita, the Christian Democrat leader sworn in as Prime Minister last Wednesday.

Mr Ruffilli, a Senator since 1983, was Mr De Mita's close adviser on institutional reform, which is to be the centre piece of the new Government's political programme. He was, moreover, a man who favoured close collaboration with the opposition Communist party in devising and applying the new rules designed to improve the performance of Italy's extremely creaky machinery of government.

His death, it is argued, like that 10 years ago of Aldo Moro, the Christian Democrat elder statesman, is designed to frustrate Communist involvement in any such political design and to undermine moves to modernise the state. Those looking for parallels go further. Just as the Moro affair began with the politician's kidnapping at just the moment that a Christian Democrat-led Government was being launched with Communist support, so Mr Ruffilli met his end just three days before Mr De Mita was due to present his administration for a parliamentary vote of confidence.

But there is another view which holds that such interpretations invest the Ruffilli murder with more political sophistication and symbolism than it deserves. While the Red Brigades terrorists of the 1970s could and did conceive of assasination as a response to the prevailing social and political circumstances, many experts see their heirs of the late 1980s as more predominantly psychotic killers acting randomly and with far fewer resources.

Their objectives may be similar – to force a repressive reaction from the state – but they are up against a far more efficient magistracy and police force, which in the past decade has succeeded in capturing most of the important Red Brigades leaders or in driving them into exile (many in Paris enjoying the blind eye of the French authorities).

Judge Domenico Sica, the Rome magistrate who has played a leading role in the fight against the Red Brigades, claimed in an article in yesterday's edition of the Rome newspaper Il Messagero that the number of current Red Brigades activists and sympathisers was "around a hundred." Such a group was "not a handful, but not a lot and nor too many," he added, indicating that the problem was containable.

The Fighting Communist Party are the majority group which emerged from a schism among leaders in Paris in 1984. The minority Union of Fighting Communists split again in 1985 and have one notable murder to their name, General Licio Giorgieri, the Ministry of Defence official assassinated 13 months ago.

Terrorism remains an Italian social disease, deriving as it does from a very long tradition, but not a threat presently capable of besieging the state. Its exponents will continue to pick off individuals with symbolic political connections, but largely those which represent "soft" unguarded targets like Mr Ruffilli, or General Giorgieri, or Ezio Tarantelli, the economist, shot in 1985.

When the terrorists aim higher, as they apparently did earlier this year in planning a possible kidnapping of Mr De Mita, the authorities foil them. In addition, their impoverished political analysis learns nothing from recent history which has demonstrated that the political system closes ranks in the face of an external threat. As a result, Mr Ruffilli's murder is likely to guarantee a greater measure of inter-party agreement on institutional reforms than would otherwise be the case.

A few weeks ago, three of the historic leaders of the Red Brigades gave a long television interview in which they proclaimed that the armed struggle was "definitely over" because the "social contradictions" which had fathered it had now disappeared. The interview just managed to keep alive an improbable lobby in favour of pardoning many who have now served sentences of 10 years or more. That campaign was buried yesterday with Roberto Ruffilli.

Kremlin line eased on Armenian issue

By Catherine McElhinney in Moscow

THE SOVIET Communist Party newspaper Pravda yesterday voiced the most conciliatory view since nationalist violence erupted in Azerbaijan two months ago, suggesting that boundaries between two republics may be redrawn in the future.

An article in Pravda advocated further research on the question of borders between Soviet republics, while not specifically mentioning Nagorno-Karabakh which has been at the centre of a dispute involving its transfer from Azerbaijan to the neighbouring republic of Armenia.

The newspaper said the nationalities question in the Soviet Union, which contains 100 ethnic minorities, had been given inadequate attention, with the result that ethnic problems such as language and economic requirements had been neglected.

"The question of the perfecting of national statehood in our country is complex, hushed up and has not yet been studied enough," the article said.

While the Kremlin has already made conciliatory gestures to the Aremenians who represent the majority in Nagorno-Karabakh offering measures to boost social, economic and cultural aspects of life, it has up to now refused to yield on the question of changing the border.

Yesterday's article, while remaining cautious about how to deal with the matter of inter-republic borders, at the same time represented a softening in the earlier approach by saying the question deserved further studay.

"Rash re-drawing of borders can disrupt the economic balance between regions formed over a number of decades," Pravda said. "However, research on the borders problem should probably not be fully stopped. But this is another qualitatively new stage."

The article published by Pravda, which is the mouthpiece of the Communist party and regarded as representing the views of the Soviet leader, Mr Mikhail Gorbachev, was a marked easing of earlier Kremlin policy.

A resolution by the Supreme Soviet rejecting the transfer of Nagorno-Karabakh on March 23 said: "It is intolerable when attempts are made to resolve complicated national territorial issues through pressure on state authorities."

Mr Gorbachev has promised to convene a plenum of the Communist party to discuss the nationalities problem which has potential for trouble, not only in the Caucasus but in the Baltic republics.

EC MINISTERIAL MEETING EXPOSES STRONG NATIONAL DIFFERENCES

Tensions grow over VAT proposals

BY TIM DICKSON IN LUXEMBOURG

THE TENSIONS building up over the European Commission's controversial plans to harmonise rates of value added tax and excise duties broke out into the open at a meeting of EC economics and finance ministers here yesterday.

A defiant Lord Cockfield, the Commissioner responsible for the internal market whose proposals for fiscal approximation has come in for sustained criticism by the British Government, claimed that all member states "clearly accept the principle" of his ideas. However, there were still "considerable problems of a specific nature which need to be addressed."

Lord Cockfield was referring both to discussions inside the meeting and to the tone of an interim report by the EC's Economic Policy Committee presented yesterday and which has considered the economic aspects of the Commission's plan to reduce to just two bands the present widespread of VAT rates in member states.

The report's annexe identifies several difficulties for individual countries and, while ambiguous in its conclusions, appears implicitly to accept the principle of harmonisation.

Mr Nigel Lawson, the Chancellor of the Exchequer, repeated Britain's view that approximation is unnecessary for the completion of the wider internal market, and reaffirmed the Government's commitment to retaining zero rates on food and other items. He emphasised instead what he called a "free market" approach whereby the removal of frontier controls would encourage more cross-border shopping and thus indirectly force member states to bring their rates more into line.

Yesterday's discussions – which demonstrated the firm commitment of Belgium and the Netherlands and highlighted strong reservations about imminent change from the newer Mediterranean states, as well as more specific political difficulties in Ireland, Denmark and Luxembourg – was essentially a gentle limbering up for the more serious negotiations expected at next month's informal meeting of economics and finance ministers at Lubeck. The whole question of liberalising capital movements, which formed part of yesterday's discussions, will also be on the agenda for this meeting.

Firm line on Gulf expected at WEU

By Robert Mauthner, Diplomatic Correspondent, in The Hague

THE FOREIGN and defence ministries of the seven-nation Western European Union were last night expected to renew their commitment to co-ordinated naval action in the Gulf, following the latest Iranian attack on Western shipping.

As the ministers from Britain, France, West Germany, Italy and the Benelux countries began a two-day meeting here, Sir Geoffrey Howe, the Foreign Secretary, said he was "outraged" at the Iranian attack on a British-flagged tanker, the York Marine, off Abu Moussa yesterday.

The attack on the moored British tanker took place after US naval vessels had shelled two Iranian oil rigs in what was seen as a retaliatory strike by Washington for an Iranian attack on one of its ships.

The ministers, who yesterday had a general discussion on Western European security in the light of the latest foreign policy initiatives by Mr Mikhail Gorbachev were due to consider the WEU's possible enlargement over dinner last night.

There is already agreement that Spain and Portugal should be invited to open exploratory talks on eventual membership. However, ministers recognise that Spanish membership poses some difficult problems, given Madrid's refusal, so far, to accept any nuclear weapons on its territory.

Both Spain and Portugal would have to accept in its entirety the common defence "platform", adopted by WEU members last October, before they could join the organisation. That platform states specifically that member countries' defence must be based on a mix of nuclear and conventional weapons.

This point was also stressed by Sir Geoffrey during the debate on "European security in a changing environment".

On the controversial question of what should be done about nuclear weapons with a range of less than 500kms, following the elimination of all medium-range nuclear missiles under the INF agreement, he stressed that British priorities remained unchanged.

London's position was that nothing should be done about short-range nuclear weapons until agreement were reached with the Soviet Union on reducing conventional forces in Europe and abolishing chemical weapons.

Though Bonn has been pressing for negotiations on short-range nuclear weapons, Mr Hans-Dietrich Genscher, the West German Foreign Minister, yesterday adopted what appeared to other delegates to be a conciliatory position.

It was important for the Nato allies to adopt a common stand on the subject, he said, indicating that Bonn was not necessarily advocating a zero solution for short-range nuclear weapons.

Another F16 crash prompts Wörner plea for US action

BY DAVID MARSH IN BONN

MR MANFRED WORNER, the Bonn Defence Minister, called on the US to consider suspending flights in Europe of the General Dynamics F16 fighter following another crash in a West German field yesterday.

His statement, which could give a considerable jolt to the US military, came in response to a growing tide of public concern about the risks of large-scale low-flying exercises by military aircraft over the Federal Republic. Yesterday's crash near the township of Hermeskeil in the rural area of the Hunsrueck on the country's western fringes was the third in three weeks. The previous two involved a US F16 and a French Mirage jet.

The pilot of the aircraft, stationed at the nearby Nato air base at Ramstein, escaped on his ejector seat. Wreckage from the accident spread over several hundred metres of countryside.

Mr Wörner, who is leaving the West German Government next month to become Nato secretary general from July, called on the US to stop F16 manoeuvres temporarily if it appeared that the crash was caused by a technical defect. Preliminary examinations indicate engine failure.

The minister has stood firm in recent years against growing public protests about Nato low-flying aircraft manoeuvres, which an increasing number of West Germans consider unnecessarily dangerous and disruptive. Especially during the past few weeks, he has argued that low-flying exercises are essential to West Germany's security. However, any provisional halt to flights by the F16 – the main US aircraft deployed at the Ramstein air base – would indicate that these arguments had been overridden, at least temporarily, by worries about the effect of the air mishaps on public opinion.

EC steel output jumps 10.7%

BY WILLIAM DAWKINS

EUROPEAN COMMUNITY crude steel production jumped by 10.7 per cent to just over 11m tonnes in February, providing further ammunition for the Commission in its attempts to abolish the eight-year-old system of output quotas.

The increase, measured from the same month of last year, is strongest in flat products like hot and cold rolled strip, which are raw materials for the buoyant European car industry. EC steel output is also being helped by falling imports, down 5.8 per cent in December, the latest month for which external steel trade figures are available, allied with a 3.2 per cent increase in sales to countries outside the Community. Exports stood at 2.3m tonnes in December, dwarfing the 826,000 tonnes of imports for that month.

Judging by the strength of new orders, the surge is far from over. EC steelmakers received 7.7m tonnes worth of new orders in December, 12 per cent more than the same month of the previous year.

EC steelmakers have meanwhile been lagging behind their Japanese rivals in investing in modern plant to cut costs and improve quality, according to the latest European Coal and Steel Community annual report, released yesterday. Their capital investment fell from Ecu4.1bn (£2.7bn) to Ecu3.5bn between 1985 and 1986, the year of the report, where it stood at 2.5-3.5 per cent of total industry investment. That compares poorly with Japanese steelmakers' 4.9 per cent of total industrial investment in the same year.

● The EC jobless rate fell by 0.3 percentage points between January and February to 10.4 per cent, representing 16.6m people out of work. The improvement occurred in all member states except for Italy, where the jobless rate rose by just over three points.

Les Echos sale likely to go ahead

By Ian Davidson in Paris

THE FRENCH Government is expected to give the green light to the bid by Pearson, the UK publishing, banking and industrial group, for the Les Echos press group, as a result of the recent revision of the agreement.

Mr Edouard Balladur, the Finance Minister, will now re-examine the dossier and is expected to decide favourably very rapidly.

The Finance Ministry announced in February that it was holding up approval of the deal, because it questioned whether Pearson's shareholding structure was "durably" European. It made clear that its objection was based on Mr Rupert Murdoch's 20.5 per cent stake in Pearson, and it claimed the group was vulnerable to takeover.

The legal basis for the blocking move is a law forbidding the acquisition of more than 20 per cent of a French newspaper company by non-Community interests. However, Pearson has protested publicly that it is in every sense an EC company, since more 70 per cent of its shares are held by EC nationals.

Following an appeal by Pearson and Les Echos against the intervention, on the grounds that it was in conflict with the Rome Treaty, the European Commission announced last month that it would investigate.

Last week Pearson and Les Echos announced revisions to the agreement with the hope of meeting the French objections. The chief change is that Pearson would only acquire two-thirds of the equity immediately, postponing for 12 months the acquisition of the remaining third for 12 months, "providing that Pearson is still an EC company".

In addition, the two companies announced new provisions designed to safeguard French interests in Les Echos. First, Mrs Jacqueline Beytout, president of Les Echos, announced that, if she were to sell the 7.3m Pearson shares she will receive in part payment for Les Echos, she would give the right of first refusal to Lazard Frères, the Paris-based merchant bank and a Pearson associated company.

Second, Financière et Industrielle Gaz et Eaux, a French listed investment company effectively controlled by Lazard Frères, has undertaken to remain a long-term holder of its 9.4 per cent stake in Pearson.

W German labour costs 'second only to Swiss'

BY DAVID GOODHART IN BONN

WEST GERMAN labour costs have leapt from fifth to second highest in the world since 1985, according to the Cologne-based Institut der Deutschen Wirtschaft, an employment research institute linked to the main employers' organisation.

The IDW calculates that West German workers cost an average DM32.67 (£10.50) an hour in 1987, second only to the Swiss at DM33.03 an hour. Behind West Germany come five northern European countries – Norway, Sweden, the Netherlands, Denmark and Belgium – followed by Japan and the US. Britain is in 16th place, one behind Ireland.

The reason for the sharp rise in West Germany is not so much direct wage costs as the additional costs of insurance, social security and paid leave, "where we now lead the world" according to the institute.

These additional costs come to an average payment of DM14.97 per employee, ahead of the Italians at DM12.01 and the French at DM10.33. The US and Britain are well down the field in additional costs with DM6.70 and DM5.27 respectively.

In direct labour costs West Germany trails Switzerland, Denmark, Japan and the US. But in combined costs it has seen the sharpest rise in D-Mark terms, at 10 per cent, of any of the 19 countries surveyed over the two year period. In D-Mark terms the US has seen the biggest fall – of 36.2 per cent – although in dollar terms that becomes a rise of 4.4 per cent. "The US has found a better answer than anyone else to moderating wage costs," comments the institute.

In own currency terms Greece has seen the largest jump over the two years, up by 22.6 per cent, closely trailed by Portugal and then Norway and Denmark. The UK has also risen faster than West Germany at 16.7 per cent.

New proposal on Maxhütte

BY DAVID GOODHART IN BONN

THE FUTURE of the Maxhütte steel works in southern Germany which was declared bankrupt a year ago, is still in the balance following the intervention of a local lawyer and company doctor, Mr Hans Ringwald.

The works, which employs about 3,000 people, has been the subject of complex steel industry political wrangling since the bankruptcy was declared by its former owner Klöckner-Werke. It had been assumed since last November that the five main Ruhr-based steel companies would combine with the Bavarian government in a 60:40 joint venture.

However, negotiations have been slow and difficult, and complicated by the consistent refusal of the state-owned Salzgitter to join the industry consortium.

Now, it appears that the consortium idea may be outflanked by Mr Ringwald, who was appointed receiver to the nearby Badischen Stahlwerke, and has proposed to the Bavarian government that he buy Maxhütte outright and turn it into a "mini-plant". In combination with Badische Stahlwerke, Maxhütte might then be able to compete with the low-cost "Bresciani" producers of northern Italy.

Although this plan would involve cutting the workforce to 1,000, the same applies to the steel consortium plan. However the steel union, I G Metall, may prefer Mr Ringwald's plan as the jobs could be more permanent. The union fears that, in the hands of the other steel producers, Maxhütte would gradually be closed down.

Frankfurt Jews target of bomb

THE HEAD of West Germany's Jewish community demanded that police give more protection to Jewish property after a bomb exploded outside the Frankfurt Jewish Centre early yesterday causing serious damage but no casualties, Reuter reports from Frankfurt.

Mr Heinz Galinski, head of the Central Council of Jews in Germany, said in a letter to the West German Federal Police that he could not understand why Jewish communities encountered problems when seeking police protection for their property.

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Hopes fade as Greece and US resume talks on bases

BY ANDRIANA IERODIACONOU IN ATHENS

GREEK AND US negotiators resumed talks yesterday on the future of the four American bases here, amidst diminishing hopes of an early agreement.

A spokesman for the Greek Socialist Government, which is formally opposed to the bases' presence, said on the eve of the current, fifth round of talks that the negotiations have not really advanced since they began last September.

In an indication that the stalemate is beginning to worry Washington, Mrs Rozanne Ridgway, US Assistant Secretary of State for European Affairs, paid a surprise visit to Athens recently for talks with the Greek Government.

Despite the recent improvement in relations between Greece and Turkey, Athens is apparently sticking to a demand for the inclusion in any new bases' agreement of some form of US guarantee of Greek interests against Turkey in the Aegean and Cyprus. The Greek side has said that negotiations cannot go forward on technical issues until the matter of the guarantee is settled.

Washington has made clear that it does not want to link the bases with any issue involving a third country. It would like simply to renew the existing Greek-US Defence and Economic Co-operation Agreement. This he agreement was signed in 1983, and expires in December, giving the US 17 months from that date in which to pull out of Greece.

Turkish public sector deficit forecast to fall

BY BRUCE CLARK

TURKEY'S public sector deficit, including the losses of state-owned industries, could fall to 5.3 per cent of gross national product this year, compared with 8.7 per cent in 1987, Mr Yusuf Ozal, Minister of State for Economic Affairs, said in London yesterday.

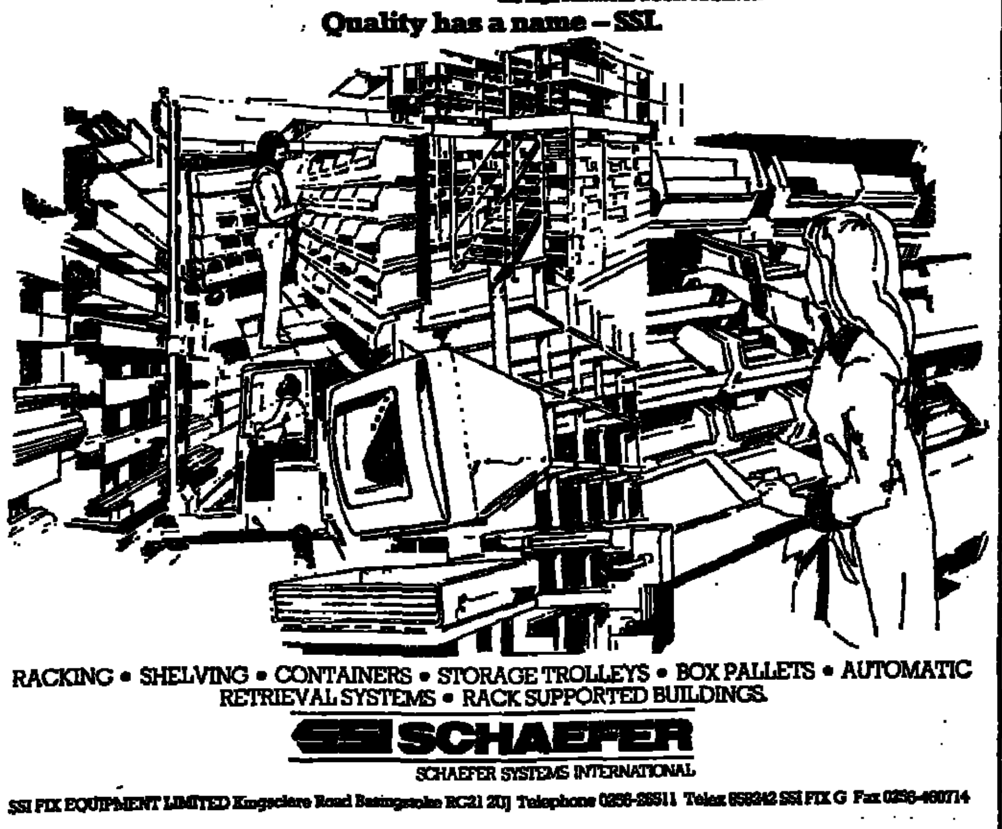
The drop in public borrowing should help the fight against inflation, he added. According to Turkey's State Institute of Statistics, prices rose nearly 70 per cent in the year ended in March, compared with 35 per cent in the previous 12 months.

But Mr Ozal acknowledged that the decision to charge higher prices for state-produced steel and energy, while making for healthier public finances, was stoking short-term inflation.

In June or July, he said, it should become clear whether Government moves to restrain growth and avert overheating were having the desired effect on prices. An encouraging sign was that higher interest rates for bank deposits had led to a cooling off in demand for real estate.

The Government raised interest rates in February, under pressure from a sharp fall in the unofficial value of the lira.

Mr Ozal, whose brother Mr Turgut Ozal is Prime Minister, said Turkey could expect "two years of bitter medicine" before the economy was allowed to take off again. But this meant export-led growth at a restrained pace, combined with restraint on domestic demand, rather than zero growth or recession.



Ian Davidson reports on the parties' ambitious plans to give priority to reform of the underfunded and overcrowded French schools

Failures of education system move candidates to deceptive consensus

THE overlap of the prospectuses of the main candidates in the French presidential election on so many of their chief policy objectives suggests a remarkable if deceptive degree of consensus. No objective commands a greater degree of unanimity than the claim by each and every one to give the highest possible priority to a far-reaching improvement of the educational system.

The implication of this priority is not merely that the educational system is already failing to meet the needs of French society, but that a radical improvement will be required to combat the scourge of unemployment, now standing at around 2.5m and in danger of rising higher.

Some of the candidates translate the education priority into expenditure terms. Mr Andre Lajoinie of the Communist Party proposes spending an extra FFr50bn (around 5bn) over the next five years; President Francois Mitterrand talks of spending an extra FFr15bn between now and 1992, the target date for completing the internal market of the European Community.

Mr Raymond Barre, one of the two main right-wing candidates, proposes spending just over FFr3bn a year more. Prime Minister Jacques Chirac, the other right wing candidate and Mr Mitterrand's chief challenger, demurely avoids any specific figures; last year his government quietly smothered the flight of fancy of Mr Rene Monory, its Education Minister, that the education budget should get an extra FFr25bn over the next 5-7 years.

Where the campaign prospectuses are less clear is in the precise prescriptions for reform. The Socialist Party endorses the objective that, by the end of the century, 80 per cent of the relevant age group should reach the class which sits the *baccalaureat*, the mainstream general education school-leaving examination. At present, only 42 per cent gets this far and only one third of the age group actually passes the "*bac*".

More cautiously, Mr Chirac has adopted Mr Monory's target of 74 per cent reaching the *baccalaureat* class by the year 2000. Even then the failure rate would still be quite significant: Mr Monory's plan for the future of national education, which was published last year and put forward the 74 per cent target, conceded that only 60 per cent of the age group would pass the exam, which under existing conditions confers an automatic right to university entrance.

Looking further ahead, Mr Monory's plan aimed to get 45 per cent of the relevant age group to a higher level of qualification after the *baccalaureat*, such as a university degree or other diploma, compared with only 22 per cent now.

By common consent, one of the faults of the French educational system is that while in principle it aims to provide a universal, non-selective academic education for all, in practice it is ill-designed for the least gifted children who risk simply falling by the wayside.

FRENCH ELECTIONS

The automatic, non-selective entry to university for all those who pass the "*bac*" is also criticised, because too many fail to make the grade in faculties which are overcrowded and underfunded, and as a result drop out after one year. The chief result of the system, say its critics, is that in practice it imposes a process of selection by rejection.

Though all candidates agree on the need to raise the pass level for the *baccalaureat*, they are less clear about how this is to be achieved. Like his rivals, Mr Barre endorses the need for great improvements in the education system, but he characteristically throws cold water on the Utopian promises of others.

Even Mr Monory's scaled-back ambition of getting 74 per cent up to *baccalaureat* level in the year 2000 implies that the total *baccalaureat* class in that year would number 585,000, compared with 330,000 now. Inevitably this means a very large increase in the number (and no doubt the quality) of France's school teachers.

The trouble is that France is already short of teachers, especially in those subjects which presumably would be most useful in the labour market. Over the past 10 years, the number of candidates for teaching diplomas has dropped by half, from 40,000 to 20,000. The success rate in passing the examination for teachers has gone up over the period, but not by enough to avoid a decline in the ratio of filled vacancies from 97 to 80 per cent.

The gap between the shortfall on existing plans and the implications of much higher targets for the future, could scarcely be more intimidating.

The main reason for their vagueness is the lamentable performance of the French university system compared with the Grandes Ecoles, and its scandalous lack of public funding. Of the total 1.2m in tertiary education, around 900,000 are in (non-selective) universities, while around 300,000 are in (highly selective) Grandes Ecoles and University Technology Institutes (IUT). The proportion of university entrants who pass their exams is 35-40 per cent and falling, whereas the success ratio of the Grandes Ecoles is 90-100 per cent and that of the IUTs is 80-90 per cent.

Eighteen months ago, the Chirac Government attempted to legislate an element of selectivity into the university system, but hastily withdrew the proposal when the students took to the streets *en masse* in protest at a measure which they feared would reduce even further their chances of acquiring a degree and a correspondingly rewarding entry into the employment market. Mr Chirac continues to believe in the need for greater selectivity, but next time it would be by negotiation, not legislation.

Whatever the method of selection, France will have to spend much more money on education, and especially on higher education, if any of the presidential candidates are to have any chance of carrying out their promises. At present, public expenditure on higher education in France, at 0.43 per cent of gross national product, is lower than any other industrialised country, and is even lower than Greece (0.44 per cent).

"It is shocking," says Professor Munier in his contribution to the Government's Valade report on the university crisis, "that total public spending on higher education was around FFr25bn in 1986, s the SNCF railway system alone received a government subsidy of over FFr30bn in that same year."

He goes on to point out that, even if public spending on higher education has remained roughly level over the past 10 years as a share of GNP, this stability hides three disturbing trends: investment spending has declined by 2.3 per cent a year in volume, while current spending has risen by 2.1 per cent p.a.; the increase in current expenditure is due solely to the rising seniority profile of the teachers and to rising subsidies for students; as a result, all other current expenditure has been falling.

Soviet prime minister visits Hungary

BY JUDY DEMPSEY IN BUDAPEST

MR NIKOLAI RYZHKOV, the Soviet Prime Minister, arrived in Budapest yesterday on the start of a three-day official visit during which he is expected to hold talks with Mr Karoly Grosz, the Prime Minister, and Mr Janos Kadar, the party leader.

This is Mr Ryzhkov's first official visit to Hungary.

Although economic relations between both countries will figure high on the agenda, issues related to political reforms and the forthcoming national conference of the Hungarian Communist Party are also likely to be discussed.

A draft conference programme published recently has been criticised by several party members for its lack of direction, as well as for failing to respond to growing demands for genuine political reform.

These would include transforming the Parliament from a rubber-stamp institution to a forum for debate, and possibly even allowing a platform for non-party political groupings.

Mr Grosz, who met Mr Mikhail Gorbachev, the Soviet leader, and Mr Ryzhkov last year in Moscow is certain to raise some of these issues, particularly in the light of the recent expulsion from the Hungarian Communist Party of four leading intellectuals.

They were expelled on the grounds of criticising the party outside the normal party institutions at a meeting of the "democratic forum," an informal non-party political grouping.

Soviet officials based in Budapest have been closely following these groupings, as well as the articles and discussions taking place in the universities and institutes. Many of these debates focus on aspects of political reforms within the Socialist system.

But what Hungarian party and non-party members will be interested in is the extent to which Mr Ryzhkov will discuss possible changes in the top leadership

Party sources in Budapest say that during the party conference some changes in the Politburo are expected.

Prime Minister Nikolai Ryzhkov: First official visit

Bonn 'refugee quota' sparks political row

BY DAVID MARSH IN BONN

A POLITICAL row has broken out in West Germany over allegations that Bonn has agreed a "quota system" with East Berlin covering the numbers of East Germans allowed to emigrate to the West.

The allegations, voiced by Bishop Gottfried Forck, a leading East German protestant churchman, have touched a raw nerve in the Bonn Government. This reflects the Federal Republic's ambivalence about the clandestine deals with East Berlin under which it tries to find a way for some hard-pressed East German emigrants to find a way to the West.

Bonn fears that suspicions could rise in both East and West that, as a result of such arrangements, some of the tens of thousands of would-be emigres bidding to leave East Germany are more equal than others.

Ms Dorothee Wilms, Minister for Inner-German Relations, reaffirmed at the weekend that West Germany was open for all Germans "wherever they come from."

Faced with claims from Bishop Forck that the two Germanys had set a migration limit of 1,200 per quarter, Mr Friedhelm Ost, the Bonn Government spokesman, was also forced to deny any agreement with East Berlin.

The official reaction from Bonn however has failed to mention that between 5,000 and 6,000 people were authorised to emigrate from East to West Germany last year as part of routine East-West German arrangements to reunite families split up by the cleavage of the nation.

Bonn pays East Berlin a credit believed to be slightly more than DM 3,000 ($1,800) per person for such emigration, used to buy goods from the West.

This is separate from the 25 year old system of ransoming of political prisoners

EMIGRATION FROM EAST TO WEST GERMANY

	Authorised emigrants	Fugitives*	Others†	Total
1984	34,982	3,651	2,341	40,974
1985	18,752	3,484	2,676	24,912
1986	19,982	4,660	1,536	26,178
1987	11,459	6,252	1,247	18,958
1988 (Jan)	950	734	3	1,687
1988 (Feb)	1,164	615	0	1,779

*Includes visitors who remain in W. Germany as well as escapees.
†Mainly comprises ransomed E. German prisoners.
Source: W. German Government.

OECD says Finland's growth plans hinge on pay restraint

BY ROBERT TAYLOR, NORDIC CORRESPONDENT, IN STOCKHOLM

FINLAND MUST restrain wage expectations if it wants to maintain medium-term growth plans in the face of probably adverse international developments.

This is the main warning contained in this year's survey of the country by the Organisation for Economic Co-operation and Development published today.

But the report admits that pay restraint will not be easy to achieve because of "weakened employers' resistance to wage demands" in the private sector due to "high productivity growth and buoyant demand" and "the existence of strong egalitarian attitudes among labour unions institutionalised by wage-wage link clauses," which have provoked leap-frogging deals, particularly in the public sector.

The OECD'S warning about rising wage costs comes at a time when agreements have been reached in the public and private sectors averaging about 8.5 per cent, well above inflation.

However, it is reasonably optimistic, pointing out that "in the past decade, the Finnish authorities have been particularly successful in applying a mix of macro and microeconomic policies that have achieved the goal of adequate and balanced growth combined with relatively low unemployment."

The reports expects real growth in gross domestic product will slow to an annual rate of 2.75 per cent this year compared with 3.2 per cent in 1987, with a further fall to 1.75 per cent in 1989. Total domestic demand is also forecast to fall this year to 3.5 per cent (4.4 per cent in 1987) and to 2 .25 per cent next year.

Finland's current account deficit is also expected to grow over the next two years from $2.1bn in 1987 to $2.6bn this year and $3.8bn by the end of 1989. Industrial production should fall from 4 per cent annual growth last year to 2.25 per cent this year and 2 per cent in 1989.

The OECD points out that the volume of business fixed investment increased by 5 .5 per cent last year, with a 15 per cent rise in the manufacturing sector.

The country has enjoyed an impressive increase in manufacturing labour productivity, which has grown on average by just over 5 per cent a year since 1978. Last year, it rose by 6 per cent. This trend has helped offset wage pressures so that unit labour costs have remained competitive.

Hourly industrial wage costs are forecast to rise by 7¼ per cent this year compared with 7 per cent in 1987, and by 6¾ per cent next year. The OECD sees the consumer price index rising by 4 per cent this year and by 4¼ per cent in 1989, compared with 3.7 per cent in 1987.

OVERSEAS NEWS

Burial of Abu Jihad may herald renewal of PLO-Syrian links

BY TONY WALKER IN TUNIS

THE ANNOUNCEMENT by the Palestine Liberation Organisation in Tunis that its slain military commander Abu Jihad is to be buried tomorrow with full honours in Syria raises the possibility of a reconciliation between the PLO mainstream and Syrian leaders.

Syria has agreed to a full scale funeral for Abu Jihad, who was murdered in Tunis on Saturday, so that the PLO leadership, including Mr Yasser Arafat, its chairman, can attend. Initially, the Syrians had approved a small family ceremony.

It would be Mr Arafat's first visit to Damascus since a Syrian-inspired uprising in 1983 among elements of his own Fatah PLO faction forced him to quit his last stronghold in Lebanon.

The PLO chairman has been estranged – sometimes bitterly – from President Hafez al Assad, the Syrian leader, who has tried repeatedly to undermine his leadership, even to the extent of seeking to construct an alternative PLO with its headquarters in Damascus.

The deep personal enmity between the two men has been one of the main barriers to Arab unity. Reconciliation attempts in recent years have come to nothing.

But the Palestinian uprising in the West Bank and Gaza Strip, which has strengthened Mr Arafat's hand in Arab forums, may be persuading President Assad to soften his opposition to the PLO chairman.

In Tunis, diplomats say that the PLO has made a political calculation by deciding to choose Syria over Jordan for Abu Jihad's burial.

The political benefit to Mr Arafat of a possible reconciliation with Syria would outweigh sentimental considerations of burying the slain PLO official in the Jordan Valley closer to what is regarded as Palestinain soil.

PLO officials in Tunis are also pointing out that Abu Jihad's aged father lives in Damascus, and that there is a large Palestinian community present there.

Meanwhile, a visibly shaken and outraged Mr Arafat has denounced the US over the slaying of his chief lieutenant, claiming that Washington gave Israel the "green light" to carry out the mission.

Mr Arafat, who arrived in Tunis in the early hours of Sunday morning after a flight from Saudi Arabia, has spent most of his time since his return to PLO headquarters here in seclusion with his top aides planning retaliation against Israel. He alleged that the commando raid, which resulted in the machine gun killing of Abu Jihad, was approved at the highest level of the Israeli Government "with the green light of the American Administration, Israel's strategic ally."

Abu Jihad was gunned down in the presence of his wife and teenage daughter at his house at Sidi Bou Said, a Tunis suburb, in the early hours of Saturday morning.

His assailants were said to number seven, and to include a woman. They are believed to have made their escape by sea.

The Tunisian authorities are continuing their investigations into how a relatively large group of assassins got into the country and then slipped out undetected after committing their crime.

Israel ordered the killing of Abu Jihad, the PLO military commander, who was machine-gunned to death by a combined operation of the Mossad secret service, a naval unit and an elite army unit, Reuter reported yesterday from Tel Aviv.

The agency said that the despatch had been only authorised by censors after a 24-hour delay and with some deletions. The dateline indicated that the report's "sources" were military ones.

Mr Yitzhak Shamir, the Prime Minister, has dismissed a report by the US television network NBC about Israeli responsibility as "a load of nonsense."

But Mr Ariel Sharon, the hardline Minister of Trade and Industry, has sought to justify the assassination saying that "few people had so much blood on their hands."

Airliner hostage in plea to Kuwait

A MEMBER of Kuwait's ruling family held hostage aboard the hijacked jumbo jet for two weeks made a terrified plea yesterday for the release of prisoners held in Kuwaiti jails, Reuter reports from Algiers.

Mr Fadel Al-Sabah, his voice barely audible, called for the "release of the prisoners in Kuwait," in a radio broadcast from the Kuwaiti airliner at Algiers airport.

The hostage, one of three members of Kuwait's ruling al-Sabah family aboard, was obviously in a feeble condition and had to be prompted by gunmen on the aircraft's flight deck.

His appeal was made after the estimated 31 remaining hostages on the Kuwait Airways Boeing 747 became the longest-serving prisoners on an airliner in the history of hijacking.

(Those held on the TWA Boeing 727 in the summer of 1985, still the record length for a hijacking on record, were held captive for some days on the ground in Beirut).

"I want the release of all the prisoners," he said.

The hostage who made the latest appeal to Kuwait was identified by one of the hijackers, who announced moments earlier that he was having problems persuading the captive to speak.

Mr Al-Sabah's voice was clearly that of a man exhausted by the 14-day ordeal. Only a small part of the brief statement could be understood.

Two of his sisters have also been held by the hijackers, who killed two other Kuwaitis while the plane was in Cyprus.

Algeria, showing signs of frustration over its failure to mediate a deal with the hijackers to win the release of the hostages, yesterday ordered a big security clampdown.

Armed police and security officers lined the runways and roofs of the main terminal building of Houari Boumedienne airport and checkpoints sprouted on approach roads.

Andrew Gowers reports on a sea and land setback for Tehran

Change of fortunes for Iran

US frigate Simpson after taking part in Sirri oil platform attack

ONLY last Friday, Mr Ali Akbar Hashemi Rafsanjani, the powerful speaker of the Iranian parliament, was gloating in his usual style about Iran's imminent victory over Iraq and about the latest humiliation which had been dished out to the US in the form of the mine which severely damaged the US frigate Samuel B. Roberts in the Gulf.

He told worshippers at Friday prayers in Tehran that Iraqi President Saddam Hussein had "no choice but to commit suicide," and that the US Navy was "defeated and disgraced" less than a year after it began its massive build-up in the Gulf region.

Events since Sunday will have stopped Mr Rafsanjani and the rest of the Iranian leadership in their tracks. For in the seven-and-a-half-year-old land war against Iraq, Iran has been forced on to the defensive for virtually the first time since 1982 by Iraq's apparently successful push into the Iranian-occupied Fao peninsula. And in the Gulf itself, the US yesterday demonstrated that, far from winding its military presence down, it remains a force to be reckoned with – and one that will respond sharply to any Iranian challenge.

More generally, this week's events underline the extent to which Iran's Gulf war effort has been driven into a corner in recent months, following its failure to launch a long-awaited offensive against Iraq on the all-important southern battlefront.

Yesterday's bombardment by US Navy warships of Iran's Sassan and Sirri oil platforms followed a weekend of intense consultations between President Ronald Reagan and his aides as to how to respond to the underwater explosion which crippled the Samuel B. Roberts last Thursday.

American officials in Washington had initially played down the incident, arguing that it was not clear whether it was caused by a newly-laid mine. But in the last few days, US and European minesweepers have uncovered hard evidence that Iran is back to its old trick – initiated last summer – of harassing Gulf shipping by sowing mines "like seeds," in Mr Rafsanjani's own phrase.

The US retaliation conformed with its vigorous response to the discovery of an Iranian ship, the Iran Ajr, in the act of laying mines in the Gulf last September and with its bombardment of the Rostam oil platform in October after Iran attacked a Kuwaiti tanker flying the US flag in Kuwaiti territorial waters.

But it also served the purpose of reminding Iran of Washington's determination to maintain its enhanced Gulf presence at a time when the Tehran leadership had begun to hope that the US and other Western nations were losing interest. The US had, after all, slightly scaled down its costly fleet several months ago, leaving 29 warships. Italy had pulled one vessel out and Belgium, Britain and the Netherlands had also decided to withdraw a number of minesweepers since the apparent threat from mines had receded. All this may now have to be reconsidered.

There is certainly no sign of any diminution of US commitment to a Gulf policy which, after its shaky start, has proved remarkably successful in containing Iran's activities at sea, especially in the northern Gulf close to Kuwait. Even in this US presidential election year, the policy has not become a matter for party politics, and Vice-President George Bush spelled out the line last Friday when he said: "We must not permit one recently planted mine to deter our presence there."

The US action poses a problem for the Iranians, who despite their fierce rhetoric have been extremely chary since last summer of becoming involved in direct confrontations with US forces. Indeed, although there was an exchange of fire yesterday between US warships and an Iranian vessel, in which the latter is reported to have sunk, it was significant that the full force of Iranian counter-retaliation appeared to be directed against an oilfield partly belonging to the (neutral) United Arab Emirates, half of whose output in any case goes to Iran.

The fact that yesterday's fire and brimstone at sea happened to coincide with continuing Iraqi missile attacks on Iranian cities and an apparently successful Iraqi offensive on land can only make matters worse for the Iranians. There have already been abundant signs that Tehran has been struggling to maintain an all-out war effort in recent months. In marked contrast to the pattern in previous years, an oft-threatened land offensive against Iraq has failed to materialise, and the weather in the marshes of southern Iraq is fast becoming inauspicious for a big Iranian push.

The Pentagon believes that Iran has actually lost the ability to mount a major offensive in the foreseeable future. According to recent Congressional testimony by Gen George Crist, the US military commander for the Gulf, Iran has been significantly weakened by Iraqi air attacks on its economic infrastructure and is having serious problems recruiting sufficient young men to serve in its armed forces.

Against this background, the significance of Iraq's drive to recapture the Fao peninsula, which it lost to Iran two years ago, can scarcely be overstated. Tehran, which has used the tens of thousands of its troops dug in on the strategic peninsula to block Iraq's entire access to the Gulf and incidentally to threaten Kuwait with Chinese-made Silkworm missiles, will almost certainly have been taken by surprise by Iraq's move. As Mr Shahram Chubin, a Geneva-based analyst of the Gulf war points out, Iran is not, after all, used to Iraqi offensives; Baghdad has manifestly failed to recapture any significant swathe of territory from Iran since the latter mounted its counter-invasion of Iraq in 1982.

It now seems as if Iraqi superiority in armour and air-power – perhaps combined with the palpable economic chaos in Iran – is beginning to take a serious toll.

This is not, however, to say that things are all running one way in the Gulf war. Iran, together with the Kurdish guerrilla groups it supports, continues to make big inroads into mountainous northern Iraq and claims to have come close to capturing the strategically-important Darbandikhan dam. Tens, and possibly hundreds, of thousands of Iraqi troops are tied down in Kurdistan and have responded by showering its rebellious population with poisonous chemicals.

But anything that could be portrayed as an Iranian victory over Iraq on land looks remote indeed. The chances are therefore that Tehran, in its anxiety to keep up the revolutionary momentum, will be inclined to step up actions away from the warfront such as harassment of shipping and mischief-making in the Gulf states.

Singapore detainees 'ill-treated in prison'

Roger Matthews in Singapore

NINE PEOPLE detained without trial last year for alleged participation in a Marxist plot to overthrow the Singapore Government issued a statement yesterday protesting their innocence and accusing the authorities of using physical force and threats to extract statements from them.

They said they had been hit hard in the face up to 50 times during the first three days of interrogation, forced to stand for long periods in freezing cold rooms, and threatened with violence to their family and friends and with indefinite detention if they did not co-operate.

The Government has denied using violence against the detainees. It arrested 22 people in May and June last year, many of them young Western-educated graduates, under the terms of the Internal Security Act, which provides for indefinite imprisonment without trial. All but one of them was released by the end of the year.

The nine said they would have been prepared to maintain their "fearful silence" about the events had not the Government since "repeatedly raised the issue and made false and damaging statements about us," while denying that the detainees had been subjected to ill-treatment or torture.

The statement said some of the six women and three men had been deprived of sleep or rest for as long as 70 hours. They had been actively discouraged from engaging legal counsel and told to discharge their lawyers "so as not to jeopardise our chances of release."

The nine said they had been compelled to appear on television and warned that possible release would depend on their performances. What appeared on television was said to be grossly distorted and misrepresented.

The Government expended considerable efforts to persuade the public of the correctness of its action and the potential seriousness of the Marxist threat to the stability of Signapore. Mr Goh Chok Tong, the First Deputy Prime Minister, said in parliament that the issue was a test of the credibility of the younger generation political leadership.

Mozambique rebels delay railway improvements

BY JEREMY HARDING IN MAPUTO

ANTI-GOVERNMENT rebels in Mozambique are holding up a railway rehabilitation project designed to reduce black southern African states' dependence on South African routes.

The railway runs 540 kilometres north from the capital, Maputo, to the Zimbabwean frontier, and is regarded by member states of the Southern African Development Co-ordination Conference (SADCC) as vital to efforts to divert trade from South African ports. The line has double the capacity of the other important eastern seaboard route through Beira, further north.

Money for the rehabilitation, backed with a £10m grant from Britain, became available at the end of 1986. Extensive track renewal on the worst section of the line, near the border, has been contracted out to the National Railways of Zimbabwe, but the Mozambicans themselves have been unable to develop their own upgrading programme.

During the last 15 months operations by the Mozambique National Resistance, the anti-government guerrilla force, have shifted from northern Mozambique to the southern provinces.

Nkomo gains post in Zanu

By Victor Mallet in Harare

PRESIDENT Robert Mugabe of Zimbabwe, celebrating his country's eighth anniversary of independence in a confident and conciliatory mood, has appointed his old rival Mr Joshua Nkomo as one of two vice-presidents of the ruling Zanu party.

Zanu, dominated by a Shona-speaking majority, and Mr Nkomo's Ndebele-led Zapu party are merging to make Zimbabwe a one-party state.

The recent decline of dissident activity in the western Zapu stronghold of Matabeleland has been attributed by the government to the success of the merger talks.

Growth in African external debt is 'cancerous,' warns Chidzero

BY MICHAEL HOLMAN AND NICHOLAS WOODSWORTH

FT
FINANCIAL TIMES & AFRICAN DEVELOPMENT BANK
AFRICA'S EXTERNAL DEBT
CONFERENCE

UNLESS Africa receives long-term external debt relief and a substantial increase in concessional and grant aid, most indebted countries on the continent may be forced to choose between debt servicing and essential imports, Dr Bernard Chidzero, Zimbabwe's Minister of Finance, warned yesterday.

Speaking in London at a two-day conference on Africa's external debt co-sponsored by the Financial Times and the African Development Bank, and chaired by Mr David Steel, joint leader of Britain's Social and Liberal Democratic Party, Dr Chidzero described the growth in Africa's external debt as "cancerous."

It had risen from \$134.4bn in 1982 to some \$200bn by the end of 1986, and is likely to reach \$550bn by the year 2000, he said. "If current trends continue unabated it is clearly cancerous and unbearable."

The situation of low income countries had been worsened by the "substantial burden" of net payments to financial markets, including commercial banks. While the region received net transfers of \$2.8bn in 1982 from the financial markets, by 1985 it was making net repayments of \$2.9bn.

Aggregate net flow to the region, excluding Nigeria and the Ivory Coast (classified as middle income states) had declined from \$9.3bn in 1981 to \$6.8bn in 1986, creating a resource gap put at between \$3.5bn and \$5bn a year.

The need to bridge this gap "calls for imaginative initiatives," Dr Chidzero continued, including conversion of low-income Africa debt into low interest bonds, discounted loan repurchases, discounted debt equity conversions, or linking debt service obligations to the secondary market value of the debt rather than its face value.

Mr Christopher Patten, Britain's Minister for Overseas Development, told the conference's 300-plus delegates that the Africa debt probelm "requires radical internal reforms and external support on a very substantial scale." Mr Patten welcomed the fact that over 20 African states now have reform programmes endorsed by international financial institutions, and noted that in response donors had done much to assist Africa.

But he went on to express "disappointment" at the rate of progress on debt relief. "I realise that accepting that official debt on commercial terms will not be repaid in full represents a major adjustment in attitude – but it is an adjustment to reality," said Mr Patten.

"There is little to be said for shutting one's eyes to the inevitable – it makes rather more sense to face up to it." Frequent rescheduling over the years at commercial interest rates has led to a rapid and insupportable growth in some countries' debt problems, the minister continued.

The conference's keynote address was was made by Mr Babacar N'Diaye, president of the African Development Bank, who stressed the inhibiting effect of debt servicing costs on Africa's investment and growth potential.

While the rescheduling of debt through the Paris and London Clubs has in some cases brought temporary alleviation, Mr N'Diaye noted that in many cases it had led to increased outstanding debt and deteriorating creditworthiness.

Mr N'Diaye's debt relief proposals, first published last November, centered on "securitization" – a system whereby short and long term debt would be exchanged for long term bonds of the same face value but carrying a lower intrest rate.

A debtor country would make annual payments to a redemption fund which would guarantee the full redemption of the securities at maturity.

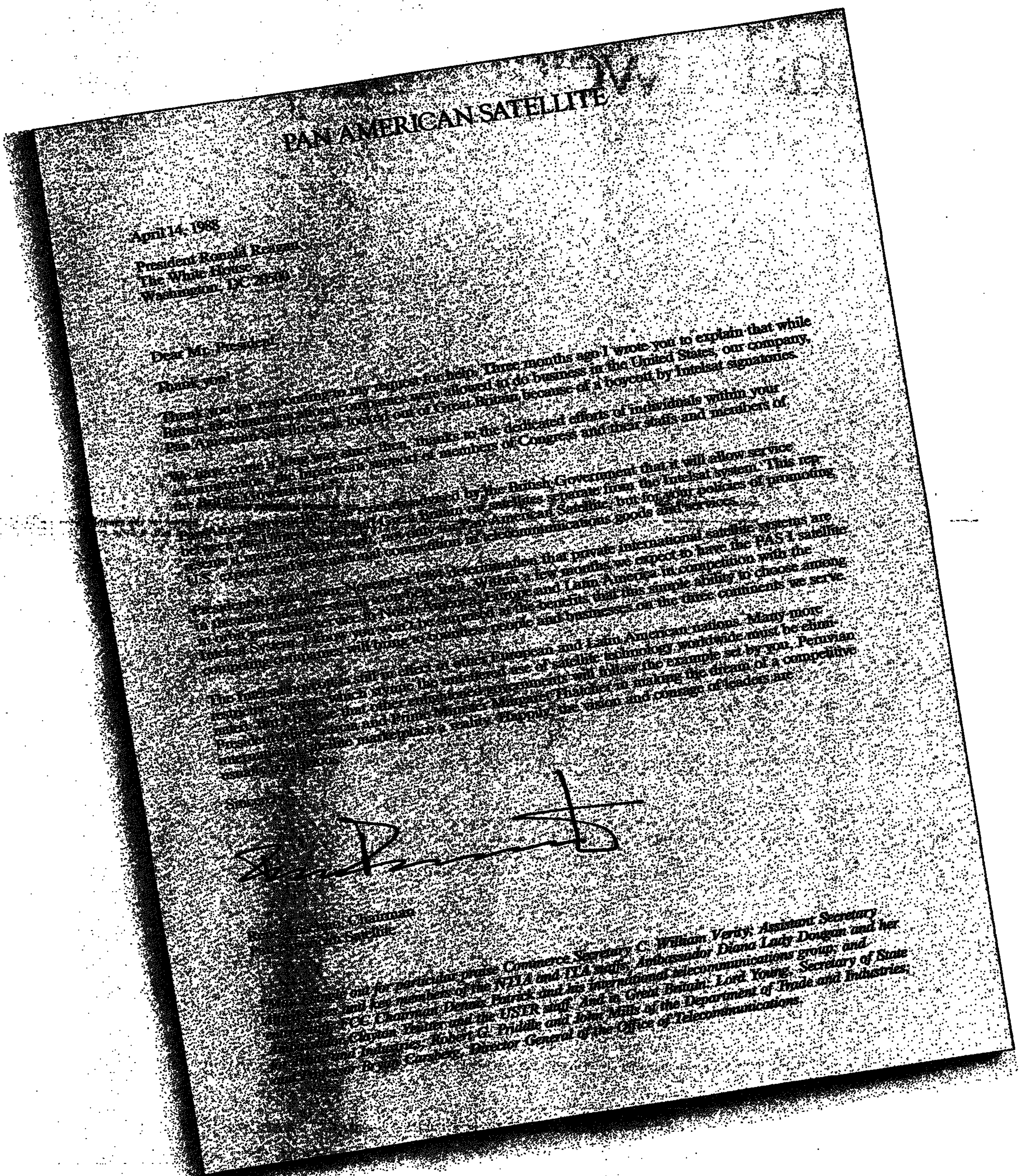
Mr Alassane Ouattra, director of the Africa Department at the International Monetary Fund told delegates that the combination of domestic reforms carried out by African governments and increasing recognition by the international community that the African countries cannot turn the corner on their own gave "cause for optimism" that a solution to the continent's external debt problem could be found.

He stressed that the IMF could not relax the conditions it attaches to the use of its resources, "for this would not serve its borrowing members."

But this did not meant that the IMF was "inflexible in the face of new challenges." The recently established Enhanced Structural Adjustment Facility would allow the IMF to lend an additional \$8bn to low income countries. The IMF had also modified the terms of the Extended Fund Facility (EFF) which would make it easier for countries to win support from this source.

But Mr Ouattara made it clear that the IMF's resources remained limited. "The Fund together with the World Bank cannot take on the financing role that should fall to private and other official creditors," he said.

Dear Mr. President, Thank you!



PAN AMERICAN SATELLITE

April 14, 1988

President Ronald Reagan
The White House
Washington, DC 20500

Dear Mr. President:

Thank you!

Thank you for responding to my request for help. Three months ago I wrote you to explain that while British telecommunications companies were allowed to do business in the United States, our company, Pan American Satellite, was locked out of Great Britain because of a boycott by Intelsat signatories.

We have come a long way since then, thanks to the dedicated efforts of individuals within your administration, the important support of members of Congress and their staffs and members of the British Government.

[illegible] by the British Government that it will allow service between [illegible] Great Britain on satellites separate from the Intelsat system. This represents [illegible] not only for Pan American Satellite, but for your policies of promoting U.S. exports and international competition in telecommunications goods and services.

[illegible] determination that private international satellite systems are [illegible]. Within a few months we expect to have the PAS I satellite in orbit [illegible] Europe and Latin America in competition with the [illegible] of the benefits that this simple ability to choose among [illegible] people and businesses on the three continents we serve.

The Intelsat [illegible] still in effect in other European and Latin American nations. Many more [illegible] unfettered use of satellite technology worldwide must be eliminated. [illegible] other governments will follow the example set by you, Peruvian President [illegible] and Prime Minister Margaret Thatcher in making the dream of a competitive international satellite marketplace a reality. Happily, the vision and courage of leaders are [illegible].

Sincerely,

[illegible], Chairman
Pan American Satellite

[illegible] single out for particular praise Commerce Secretary C. William Verity; Assistant Secretary [illegible] and key members of the NTIA and TIA staffs; Ambassador Diana Lady Dougan and her [illegible]; FCC Chairman Dennis Patrick and his international telecommunications group; and [illegible] Clayton Yeutter and the USTR staff. And in Great Britain, Lord Young, Secretary of State for Trade and Industries; Robert G. Priddle and John Mills of the Department of Trade and Industries; and Professor Bryan Carsberg, Director General of the Office of Telecommunications.

Dukakis slightly ahead in New York, say polls

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

Dukakis: barnstorming

GOVERNOR Michael Dukakis was yesterday barnstorming across New York State in an effort to shore up what appears to be only a narrow lead over his main rival, the Rev Jesse Jackson, in the pivotal state primary election which takes place today.

The Massachusetts governor, the front runner for the Democrats' presidential nomination after a succession of primary wins including the Arizona state caucuses on Saturday, turned to Senator Edward Kennedy of Massachusetts and Olympia Dukakis, the Academy Award-winning actress and his cousin, in a final attempt to inject excitement into his campaign and encourage his supporters to vote.

A victory in New York, where some 255 delegates to the party's national convention in July are at stake, would add an air of inevitability to his campaign for the Democratic presidential nomination. The New York Times' delegate count gives Mr Dukakis the support of 799 of the delegates so far chosen, compared with 707 for Mr Jackson and 381 for Senator Albert Gore.

A defeat for Mr Dukakis at the hands of Mr Jackson would serve to highlight his biggest weakness, an inability to excite many of the voters who are sympathetic to his cause, and revive doubts about whether he would be the party's best candidate.

It would also plunge the Democratic Party back into the turmoil and soul-searching which followed Mr Jackson's victory last month in Michigan's caucuses. That triggered speculation about whether the Democrats might nominate the black activist as their presidential candidate and fears that if they did the party would suffer another big defeat in November's election.

Political analysts say that perhaps the biggest threat Mr Dukakis faces is a failure by voters who say they are sympathetic to his candidacy, but not enthused by it, to turn out at the voting stations today. Few doubt that Mr Jackson's backers, who have been attending his rallies in hundreds and responding with unrestrained enthusiasm to his charismatic appeal, will vote in large numbers. Traditionally only between one-quarter and one-third of the 3.5m registered Democrats in the state vote in the party's primary.

While Senator Kennedy was appealing yesterday for support for Mr Dukakis among Irish Catholic voters in New York City, the governor was campaigning in the upstate New York cities of Buffalo, Rochester and Syracuse where polls suggest his support is deeper than that of his two main rivals, Rev Jackson and Senator Albert Gore of Tennesee.

The polls, if they are accurate (and their record this year is not reassuring) show that Mr Dukakis's lead over Mr Jackson is slim, ranging from around 6 percentage points at worst to 14 points at best.

Mr Jackson's coalition of black and hispanic voters and some liberal white voters seems to assure him of around 35 per cent of the vote. Testimony to the tightness of the race came at the weekend from Governor Mario Cuomo of New York, who has held off from endorsing any candidate, who said that he "wouldn't be surprised" by a Jackson victory. A relatively stronger than expected turnout for Mr Gore, who accoording to polls could pick up just over 10 per cent of vote, would also tend to weaken Mr Dukakis.

Some of Mr Dukakis' aides are hoping that, as seemed to happen in Wisconsin, the possibility of a victory by Mr Jackson will energise white voters. Polls on the eve of the Wisconsin primary suggested a close race. But in the event white voters balked at backing Mr Jackson and gave Mr Dukakis a convincing victory.

Trinidad coalition fails to mend its fences as the danger of a break-up looms

Canute James reports on internecine fighting in the island's one party system, aggravated by worsening economic problems and falling revenue from the vital petroleum sector

WHEN Prime Minister Ray Robinson led his four-party coalition to a handsome victory in Trinidad's general elections 16 months ago, he said the political parties had been transformed into a single united organisation and that there was no danger of it disintegrating. Now the party, the National Alliance for Reconstruction, is not so sure.

The Government is riven with internecine fighting and appears in danger of splitting following ideological disagreements between the prime minister and his deputy.

Over the past four months Mr Robinson has fired Mr Basdeo Panday, the deputy prime minister and three other ministers, all from the United Labour Front, one of the factions making up the NAR. The four had led a dissident group which had repeatedly demanded the prime minister's removal.

Despite several attempts at reconciliation there appears little genuine willingness on the part of either the prime minister or Mr Panday's group to mend fences. The dissidents argue that Mr Robinson has not kept faith with the NAR's philosophy, has reneged on the party's undertaking to seek social justice for the common man and is instead pursuing policies which benefit big business.

Mr Panday, who remains a deputy leader of the ruling party, said he will organise a programme of civil disobedience to dislodge the prime minister, whom he describes as being dictatorial.

The split in the Government could not have come at a worse time for Mr Robinson, who has been battling problems which have overtaken the once booming oil-based economy of the Caribbean republic of 1.1m people.

The NAR's election victory ended three decades of unbroken administration by governments of the People's National Movement - a factor which Mr Robinson claims is partly responsible for the island's economic and political problems.

"Such lengthy periods of one administration are usually followed by periods of instability," he argued. "The pendulum tends to swing from one extreme to the other."

"The transition occurred at a time of severe economic contraction and financial stringency after a period of super abundance, arising from the petroleum windfall of the last decade."

This argument does little to ease the problems which the shattered economy is facing, following contraction by 6.1 per cent last year after a decline of 4.5 per cent in 1986. The central bank blames this on "the continuing decline in domestic crude oil production, the adverse fiscal position of the Government and the continuing pressure on the country's foreign exchange reserves."

The villain is the petroleum sector which underpins the economy and which suffered a 9.2 per cent fall in output last year. At the end of December the country's foreign reserves had fallen to $89.4m from $330.7m a year earlier and $994.3m in December 1985.

A $287.9m surplus on a merchandise trade volume of $2.5m was achieved by what the central bank described as "tighter foreign exchange controls and reduced domestic demand in 1987." The import bill for last year was 15 per cent less than that of 1986, but exports also declined by 3.3 per cent. The Government needs $260m this year to service its $1.4bn foreign debt. The outlook offers little to comfort the prime minister and the country's statistical office has forecast a further contraction.

The Government is seeking a crutch in the form of a compensatory financing agreement with the International Monetary Fund and arguing, with some justification, that it is the fall in earnings from the petroleum sector which has holed the economy.

The move has fuelled debate on the possibility of the Government needing more than compensatory financing from the fund, and perhaps having to accept politically unpopular conditions such as a currency devaluation. The Trinidad and Tobago dollar was devalued just over two years ago by 33⅓ per cent to its current rate of 3.6 to the US dollar - a factor which contributed to the landslide defeat of the previous government.

Mr Patrick Manning, the opposition leader, believes another devaluation is imminent, but he suggests that the Government should not hesitate in seeking support from the IMF if it feels this is necessary. Such advice is likely to be accepted with caution by the prime minister, who is not keen to increase the pressure on the split in the Government by imposing further economic austerity.

"The prime minister is caught in a cleft stick," argued one diplomat in Port of Spain. "Mr Panday may not now have enough support to bring down the Government, but he has damaged the administration. The prime minister needs foreign financial support and quickly, but Trinidadians, after living high for so long off oil will not take kindly to any suggestion that they tighten their belts some more."

US commission calls for change in aviation safety regulations

A PRESIDENTIAL commission yesterday called for changes in the way the US Government regulates airlines, including more inspections of air carriers and appointment of an aviation "safety czar," AP reports from Washington.

After months of examining aviation safety, the seven-member panel concluded that "the air transportation system is safe" but added: "Safety is being maintained to an increasing extent through delays and other inconveniences."

The commission said that "while the [air transport] system is safe for now, the present governmental structure is not working effectively enough to ensure its safety in the future."

The panel urged Congress to enact legislation that would split the Federal Aviation Administration away from the Transportation Department into an independent agency with power shared by an administrator and a director of aviation safety.

This director would be "in effect a 'safety czar' whose sole responsibility would be to ensure the safety of the [aviation] system," said Mr John Albertine, the commission's chairman, in announcing the recommendations.

The director would have the authority to initiate safety regulations or block regulations initiated by the agency.

The commission, which was created by Congress, was instructed by President Ronald Reagan last year to examine aviation safety and make recommendations on how the federal Government could improve its regulation of the airline industry.

In the past year there has been increased pressure to make sweeping changes in the organisation of the FAA.

In a two-volume report, the President's Commission on Aviation Safety, urged that the FAA remain part of the Government to maintain public accountability, but as an independent agency

Rebels attack American cultural institute in Lima

PRO-CUBAN guerrillas detonated bombs at two offices of a US-financed cultural exchange institute, police said on Sunday. No injuries were reported, AP reports from Lima.

Pamphlets of the Tupac Amaru Revolutionary Movement were found outside the offices of the Peruvian-American Cultural Institute in central Lima and the upper-class suburb of Miraflores late on Saturday night, police said.

The pamphlets said the bombings were in reprisal for US bombings against Libya in April 1986.

A few days after the Libya raids the Tupac Amaru group, which began operating in Lima in 1984, set off a car-bomb composed of 60kg of dynamite outside the home of the US Ambassador.

The explosion heavily damaged a 3 metre wall around the residence compound but no one was hurt in the attack.

In the downtown attack shortly before midnight Saturday, 1.8kg of dynamite destroyed the metallic door of the institute, broke windows and damaged desks and typewriters in the main hall of the building.

A street vendor who watched the action told police he saw a young man throw a small pack, run and get into a car.

In Miraflores, the explosion destroyed the windscreens of 20 cars.

Industry in US at 82.3% capacity

US industry operated at a seasonally adjusted 82.3 per cent of capacity in March, AP-DJ reports from Washington.

This compares with 82.4 per cent in February and a revised 82.6 per cent in January. Earlier, the Fed had estimated the January performance at 82.4 per cent.

The capacity utilisation rate for factories was an adjusted 82.5 per cent in March, down from an adjusted 82.6 per cent the previous month.

Non-durable goods industries operated at an adjusted 85.9 per cent of capacity last month, compared with an adjusted 86.2 per cent a month earlier. Durable goods industries operated at an adjusted 80.2 per cent of capacity, compared with an adjusted 80.1 per cent the previous month.

The operating rate for the motor vehicle and parts industry rose to an adjusted 79.2 per cent last month from an adjusted 76.7 per cent the previous month.

Mining industries operated at an adjusted 80.3 per cent of capacity last month, up from an adjusted 79.8 per cent the previous month.

No progress on Contra deal

BY CHARLES CASTALDI IN MANAGUA

PEACE talks were set to resume yesterday between Nicaragua's Sandinista government and the US-backed Contra rebels with the two sides still far apart on most issues.

After one of the gloomiest sessions so far on Sunday, the Sandinistas presented a detailed proposal which the Contras rejected almost immediately. Mr Adolfo Calero, head of the Contra delegation, called the proposal "unilateral" and said "it sets us back to December, when these talks began". The Sandinista proposal included a timetable during which the Contras would lay down their arms.

The Contras criticised the proposal because they said it included no political concessions to be made by the Sandinistas while the Contras enter ceasefire zones. The Sandinistas insist that these talks must centre on establishment of a permanent ceasefire leaving political issues to be discussed later.

Later Gen Joaquin Cuadra, chief of staff of the Nicaraguan armed forces and a member of the Sandinista delegation, said his government was concerned the Contras were using the talks as "a vacation from war". He said the Contras appeared to want a temporary truce, not a permanent ceasefire, during which they could receive the humanitarian aid approved last month by the US Congress.

He reiterated the Government's concern that fragmentation within the Contras was making it difficult to reach an accord.

A source said, however, that it was likely that before the talks reached their scheduled end yesterday both sides would sign an agreement on location of the ceasefire zones and the mechanisms by which the Contras would enter them and receive humanitarian aid.

Aeromexico declares bankruptcy

By William Orme in Mexico City

AEROMEXICO, a wholly state-owned airline, has declared itself bankrupt in what could be the first step towards the transfer of its routes and assets to private carriers.

Late Friday, as it entered the fourth day of a ground workers' strike that had forced the cancellation of all flights, Aeromexico shocked the union by filing for bankruptcy.

Although authorities have yet to deliver a final ruling, the bankruptcy move was expected to result in the dissolution of the ailing airline.

Aeronaves de Mexico, as the company is formally known, shared a virtual monopoly in domestic air transport with Mexicana de Aviacion, a larger and more successful government-controlled airline.

Business leaders urged at the weekend that foreign carriers take over Aeromexico's international routes. Local destinations could be served by new private regional airlines, they suggested, echoing a government proposal.

The ground workers' strike was prompted by Aeromexico's decision to sell 13 ageing aircraft and cancel unprofitable routes.

Union officials asserted that the Government is using their strike as a "pretext" for privatising the airline. The labour leaders, blaming Aeromexico's economic problems on "wasteful and unprofessional" management by political appointees, contend the Government decided months ago to sell or liquidate the airline.

Brazil plans fresh cuts in spending

By Ivo Dawnay in Rio de Janeiro

THE BRAZILIAN Government is soon to announce new public expenditure cuts believed to be valued at about 1 per cent of gross domestic product or about $2.8bn.

Mr Ronaldo Costa Couto, government spokesman, said the cuts would include reductions in ministerial budgets and investment programmes.

A revived effort to abolish the costly wheat subsidy - attempted last year but resisted by producers - is also planned.

The imminent announcement was confirmed by Mr Mailson da Nobrega, the Finance Minister, on his return from debt negotiations in the US last weekend. He insisted that the cuts were not being taken under pressure from foreign creditors or the International Monetary Fund. "We are not trying to please anybody abroad," he said.

The squeeze follows a week of worsening news of Brazil's already critical economic situation. While April inflation is expected to breach the psychologically damaging 20 per cent level, official figures have revealed that the expansion of the monetary base last month reached an astonishing 43.8 per cent.

According to Prof Mario Henrique Simonsen, the former Planning Minister, Brazil's deficit, fuelled by the internal debt of some $50bn, is proving too large to finance through new government paper. Prof Simonsen warned that the surge in the money supply at a time when the private sector was not investing suggested the country was on course towards hyper-inflation.

The federal government is also fighting to lessen the effect of constitutional clauses that will shift resources from the unions' budget to state and municipal governments.

N-power shutdown forces Argentina to ration fuel

BY TIM COONE IN BUENOS AIRES

ELECTRICITY rationing was introduced in Argentina yesterday because of the forced shutdown of the country's two nuclear power stations and a fall in the water level of the dams at the main hydroelectric plants through low rainfall.

The rationing system consists of five-hour cuts spread during the day and evening between various zones of the capital Buenos Aires and is expected to continue for up to two weeks.

Few details have been released about the nuclear plants' shutdown other than that it is due to "technical faults". Mr Roberto Echarte, the Energy Secretary, said at the weekend that he expected the two plants to start functioning again within a week. The nuclear plants provide the base load to the grid and together generate some 15 per cent of the total electricity consumed in Argentina.

The older of the two plants, Atucha I, which was commissioned in 1973, has been out of operation since last August, when it was shut down for major maintenance.

Unconfirmed reports say that the 350MW reactor then suffered an accident as it was being started up, during which as much as 50 tons of irradiated heavy water might have been sprayed over the interior of the plant when the top of a fuel channel was blown off.

The second nuclear plant, Embalse, a 600MW reactor which was commissioned in 1983, has reportedly been suffering problems with the pumps in its cooling system, which also uses heavy water, and had to be shut down for repairs

NDP softens pledge to leave Nato

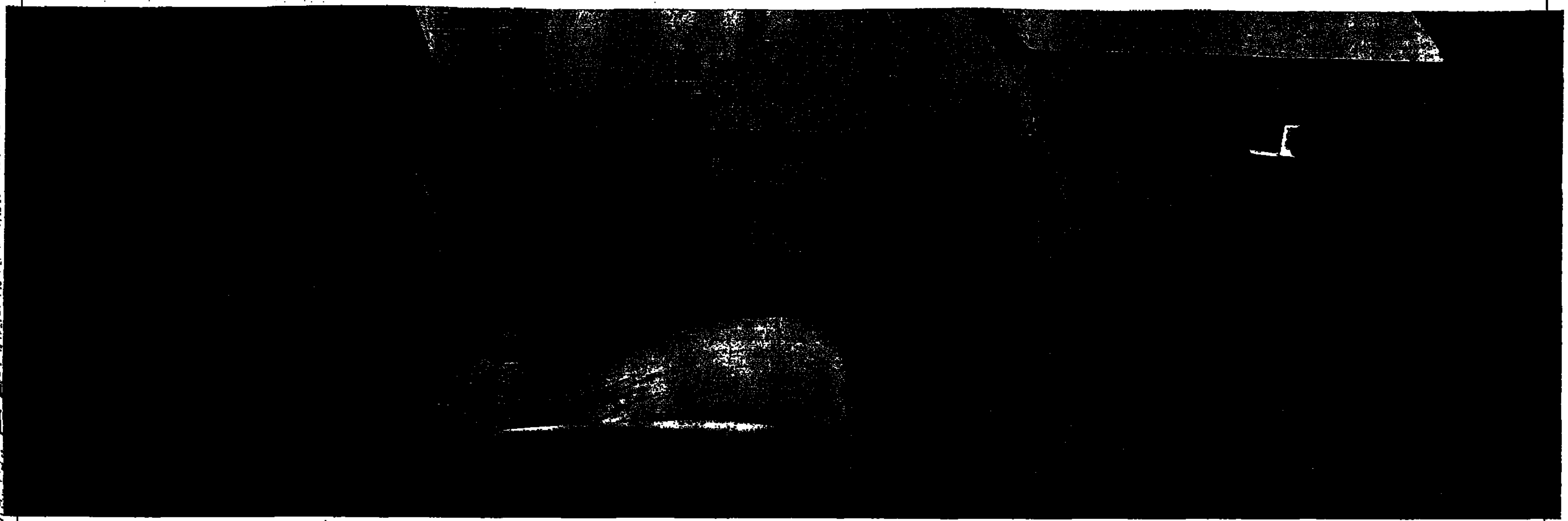
CANADA'S left-of-centre New Democratic Party has postponed indefinitely its 19-year-old commitment to withdraw from Nato if elected, in what appears to be a concession to Canadian public opinion, writes David Owen in Toronto. Polls show that four out of five Canadians reject the notion of withdrawal.

According to a document outlining NDP defence policy, withdrawal from Nato would remain a long-term goal, however.

Blaikie acquitted of insider trading

MR PETER BLAIKIE, a former chairman of the Canadian federal Conservative party, was last week acquitted on a charge of insider trading arising from his purchase of shares of Memotec Data, a Montreal data communications company, writes David Owen.

THE NEW ROVER STERLING.
FOR THE COMFORTABLE MINORITY.



There is one matter on which there is little debate between the House of Lords and House of Commons. Sitting comfortably.

For those august members of both Houses, only the best will do. Namely, Connolly leather.

And that fine Connolly that graces our leaders' seats also graces the seats of the Sterling.

Connolly's meticulous attention to detail transforms fine hides into the best-finished leather in the world. Again, it's attention to detail that makes the Rover Sterling one of the best-finished saloons you can drive.

Details like a four-position memory bank for the driver's seat. Driver's mirrors that also thoughtfully remember those four driving positions.

In the tanning process, a cocktail of mimosa bark, quebracho wood and the Indian myrobalan nut creates the rich Connolly aroma.

Electronically controlled reclining rear seats. An abundance of burr walnut panelling. And sound-insulating flush glazing that means you can make the most of your eight speaker stereo.

But what good is air-conditioned luxury without power? The Sterling comes with an all-new 2.7 litre, 24 valve V6 engine. Excite you it will. Not only with some rather un-sedate acceleration from standstill. But some exhilarating performance in the all-important mid-range.

While the four speed electronic automatic box enables you to switch from effortless cruising to dynamic sports mode in a split second.

Of course, at over £21,000†, the new Sterling isn't exactly cheap. But, we would suggest, a fair price for feeling like a Lord.

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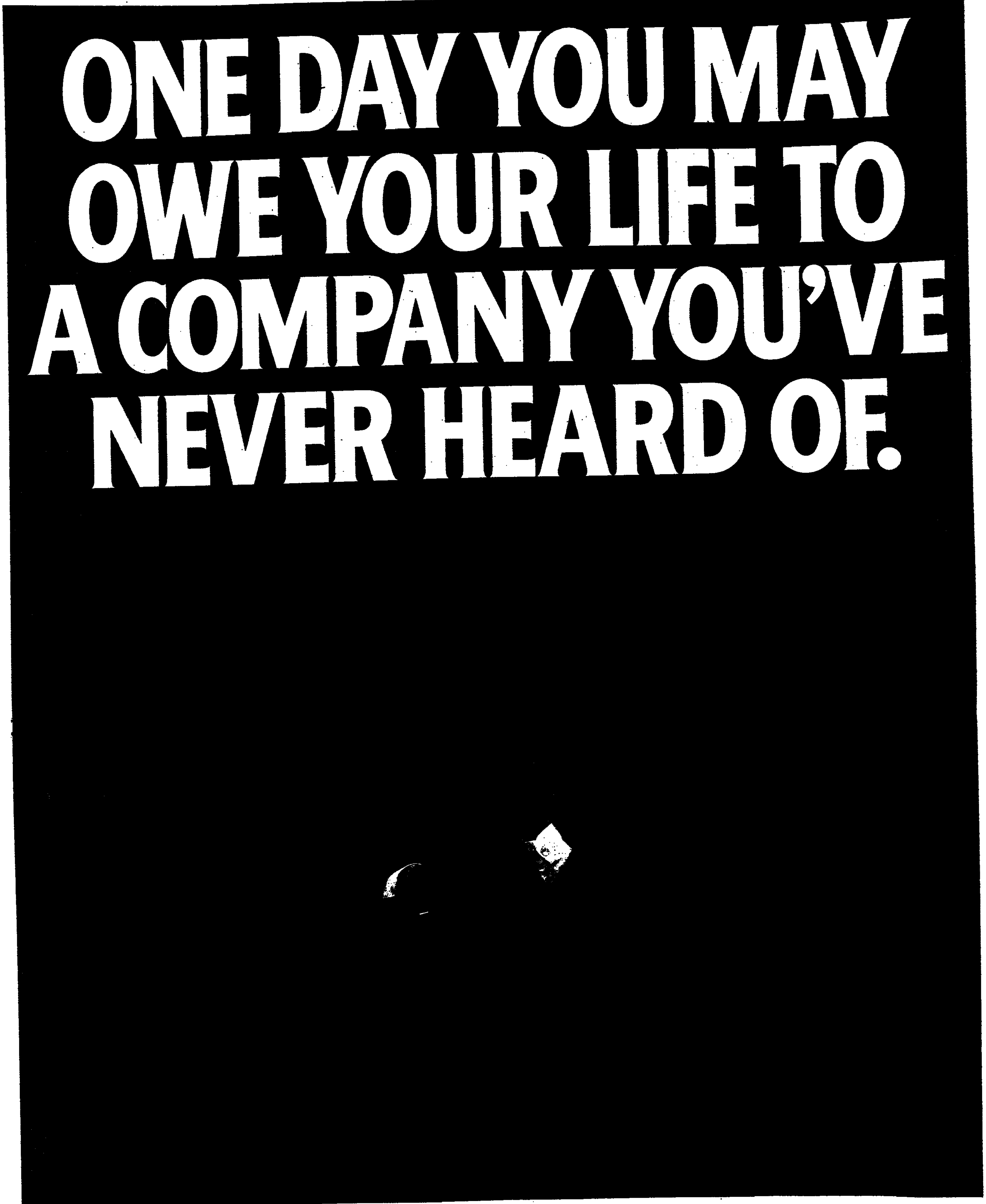


Although you don't know it, every time you drive your car out into a freezing dawn, we're right there with you.

It is almost certainly salt mined or panned by us that melts the ice off your roads.

The brakes, and the tyres that pull you smoothly and safely through frozen bends, were toughened with our fibres.

And if, heaven forbid, you should ever be as unlucky as the man in the picture, it may be a seat belt made from our polyester that saves your life.

Of course you are not to know that we are the world's biggest producer of both salt and industrial yarns. We have never told anyone before.

We've never talked about our cancer research, our AIDS and hepatitis diagnostics, or aired the fact that our dialysis devices are keeping thousands of kidney patients alive.

In fact, although we are one of the world's largest chemical companies, 68,000 strong, at work in 50 countries, turning over eight billion US dollars a year, you are unlikely to have heard of us.

Well, we Dutch are a rather modest bunch. (Sorry, didn't we mention we were Dutch?)

But you can always look at it another way: for a twenty year old company to achieve success on this scale is not just unusual. It's unheard of.

AKZO

WORLD TRADE NEWS

White House, Congress in trade bill war of nerves

BY NANCY DUNNE IN WASHINGTON

WITH the final report on the 1988 Trade Bill due out yesterday, the Reagan Administration and Congress were engaged in a war of nerves as both sides portrayed themselves as unwilling to compromise on contentious provisions.

"We are playing a high-stakes game here," a congressional aide said.

Negotiations fell apart last week over the provision, strongly backed by organised labour, which would require 60 days' advance notification of closures of large plants. The Administration has threatened a certain veto if the measure remains in the bill and claims enough votes to prevent a congressional override.

The Democratic leadership has raised the stakes by threatening to resurrect a watered-down version of the amendment, sponsored by Congressman John Bryant, a Texas Democrat, which in its original form would have required foreigners to disclose significant investments in the US.

The Congressman has offered a compromise version which would mandate a report on foreign disclosure and would require that information now collected be made available to Congress.

This concession was spurned by the Administration, but last week's merchandise trade report, showing a widening in the deficit to $13.8bn (£7.6bn), helped Mr Jim Wright, the House Speaker, give the disclosure provision new life.

The Administration's "single track" trade policy had only boosted "foreign ownership of US prime assets" to unacceptable levels, the Speaker said.

The Republicans have been insisting that the whole Trade Bill is now dead. Senator John Danforth, a key Republican, said that maintaining the plant closure measure was a "decision to kill the bill."

The Democrats and labour lobbyists have begun to plot strategy for an override. They believe some Republicans can be brought to vote for the bill - oil state legislators, for example, might support it.

Business interests insist that with the plant closure provision and the sanctions against Toshiba still in the bill, they will work for its defeat.

Although both sides have moved to the brink of conflict, the Administration's entire trade policy could be at risk if the Trade Bill is defeated.

Congressional committees have already begun hearings on the US-Canadian Free Trade Agreement, but enthusiasm for the pact is not high. It is bound to be lower still if Congress' three-year effort to produce a Trade Bill dies.

The Administration may also lose the authority it needs to reduce tariffs and to conduct negotiations in the Uruguay round of the international trade talks.

Under various scenarios being devised by Congressional aides, the game of brinkmanship under way could go on for days. The final bill is scheduled for votes in both houses this week, but under various scenarios now being discussed, it could be brought back for Conference amendments at various steps in the process.

Joseph Mann reports on a far-reaching development plan for natural oil and gas reserves

Venezuelan oil industry spreads its wings

THE VENEZUELAN Government, eager to make the most of the country's large reserves of natural gas, reduce imports of petrochemical products and earn new foreign exchange income, has drawn up an ambitious expansion programme for the petrochemical industry requiring investments of $2.23bn between now and 1992.

Venezuela has 2.8 trillion cubic feet in proven natural gas reserves. In addition, other large gas deposits have been identified offshore.

Aside from using natural gas as a fuel at home, the Government of President Jaime Lusinchi is interested in converting gas into higher-value petrochemical products.

The programme is being carried out by Pequiven, the state-owned petrochemical company, in conjunction with private investors. Pequiven – full name Petroquimica de Venezuela – is developing a new petrochemical complex in eastern Venezuela, expanding existing facilities and building new plants.

The most important new projects include: a plant for producing olefins, the building blocks for a wide range of other petrochemical products, with capacity for 350,000 metric tons per year of ethylene and 130,000 mtpy of propylene, caustic soda (120,000 mtpy), low and high-density linear popyethylene (60,000 mtpy each), plus expansion of mvc/pcv capacity (about 60,000 mtpy each), styrene (100,000 mtpy), ethylene oxide and ethylene glycol (30,000 mtpy total), isopropanol and acetone (70,000 mtpy total), methanol (330,000 mtpy), sulphuric acid (two plants), ammonia (495,000 mtpy), urea (250,000 mtpy), phosphoric acid (160,000 mtpy) and fertilizer mixing facilities (800,000 mtpy).

> As well as using natural gas as a fuel, the Government is interested in converting gas into higher value petrochemical products

Pequiven, a subsidiary of Venezuela's national oil company, will finance some of these projects by itself and will develop others in partnership with private investors. Pequiven and foreign partners recently signed agreements on two major petrochemical projects worth over $480m.

The Venezuelan petrochemical concern and Ecofuel, a subsidiary of ENI, the Italian energy group, finalised an agreement to invest $276m for the construction of a 500,000 mtpy plant to be located near a new petrochemical complex in the east. The plant will produce methyl terciary butyl ether – an additive used to raise octane in petrol.

The MTBE facility will be one of the world's largest and production will be exported. The market for MTBE is expanding in the US as government environmental regulartions phase out the use of lead as an octane booster in gasoline.

Pequiven will hold 49 per cent of shares in the new company, to be called Superoctanos, while Ecofuel will hold 49 per cent and the remainder will be sold on the Venezuelan stock market. The two partners will supply 40 per cent of funding for the project and 60 per cent will come from export credits and commercial bank loans.

Engineering, procurement and construction work will be managed by Snamprogetti, another ENI unit, and Technoconsult, a Venezuelan engineering company.

On March 14, Pequiven and Norsk Hydro (Norway) signed an agreement in Oslo covering investments of about $207m for construction of a liquid ammonia plant to be located in eastern Venezuela. The plant, expected to be on stream by 1991, will have installed production capacity of 500,000 metric tonnes per year of liquid ammonia. All production is destined for export.

Pequiven will have 49 per cent of the ammonia company's shares, while Norsk Hydro will hold 30 per cent and a group of Venezuelan private investors 15 per cent. The remaining 6 per cent will be sold on the Venezuelan stock exchange.

In addition, Pequiven and Mitsui Petrochemical Industries of Japan have begun work on a 70,000 mtpy polypropylene plant using Mitsui technology. The

> Pequiven will finance some of these projects by itself and will develop others in partnership with private investors

new plastics facility will be located at Pequiven's Zulia complex (western Venezuela), and will require investments of around $133m.

Partners in the venture – called Polipropileno de Venezuela – are Pequiven (with 49.4 per cent of shares), Mitsui (20.2 per cent) and two Venezuela private sector groups with extensive experience in the production of petrochemicals and chemicals, with 15.2 per cent each.

The two Venezuelan investors are the Grupo Zuliano and Promotora Venoco.

Polypropylene is the only major type of plastic not produced in Venezuela. Output from the plant will be used primarily to meet domestic demand and any surplus will be exported. Venezuela now spends about $60m per year on polypropylene imports.

Pequiven has two major petrochemical complexes: one is located at Moron, in the central state of Carabobo and the other in the western state of Zulia on El Tablazo bay. Pequiven and its partners in joint-venture companies today produce olefins, ammonia, urea, caustic soda, chrlorine, PVC, ammonium suplhate, suplhuric acid, granulated fertilizers and other products.

Venezuela's petrochemical sector is dominated by Pequiven, the largest producer by far, but also includes a group of joint venture companies where the Venezuelan government, foreign and domestic concerns are investors. Foreign companies with investments in the petrochemical sector include Shell, Phillips, Pechiney Ugine Kuhlmann, CDF Chimie, Dow Chemical, Mitsui, DSM (Holland) and two Colombian firms, Ecopetrol and IFI.

In 1987, Pequiven had record-high production of 2.21 mt in petrochemcial products and fertilisers, up from 2.1m mt in 1986.

US and EC 'still apart on farm subsidies'

WIDE GAPS remain in the US and European Community effort to end farm subsidies, Mr Clayton Yeutter, US Trade Representative, said, Reuter reports from Vancouver.

Mr Yeutter and Mr Willy De Clercq, EC Minister for External Relations, met Japanese and Canadian trade ministers to try to reach interim agreement on farm exports before a global meeting next December.

Mr Yeutter added that progress had not been significant toward ending the subsidies, which cost the US and EC each about $20bn (£11bn) a year.

He and Mr De Clercq met Mr Hajimi Tamura and Mr John Crosbie, Japan and Canada's trade ministers, in a preliminary session before December's mid-term review of the Uruguay round of the 84-member General Agreement on Tariffs and Trade in Montreal.

Mr Yeutter said that if the group did not reach an "early harvest" on the farm subsidies issues, the US Congress might take action on its own that could curb world trade rather than expand it.

Chevron, Texaco in India oil pact

A CONSORTIUM of Chevron and Texaco of the US yesterday signed its second agreement in four months with the Indian government for long term offshore oil exploration contracts.

Last December, it signed pacts with the government and the Oil and Natural Gas Corporation for exploration in the east coast Krishna-Godavri and Palar fields.

Iran-Bulgaria accord

Iran and Bulgaria have signed an agreement for mutual trade exchanges of $600m (£333m) this year, agencies report from Tehran.

Iran is to export 2.5m-3m barrels of crude oil a year to Bulgaria, along with cars, mini-buses and industrial machinery, in return for materials for the Iranian tobacco industry.

Pressure on UK industry to drop export curb pacts

BY PETER MONTAGNON, WORLD TRADE EDITOR

BRITISH industry has come under discreet government pressure to drop a number of voluntary export restraint agreements with Japan and other Asian countries as part of what some trade experts see as a rethink of the value of such accords.

Some 14 arrangements have been dismantled, covering products as diverse as television sets, pottery and stainless steel cutlery, according to the Department of Trade and Industry.

However, the move to unwind such agreements does not extend to the controversial area of cars. A Department spokesman said there were no current plans to terminate the agreement that limits Japan to an 11 per cent share of the UK car market, although all voluntary restraint agreements were kept under review.

Officially the Department regards such arrangements, whereby foreign suppliers agree voluntarily to limit their sales to Britain, as a matter for direct negotiation between the industries concerned.

But in a parliamentary debate on competition policy last month, Mr Francis Maude, Corporate Affairs Minister, acknowledged that some agreements had been terminated as a result of government pressure. "We keep an eye on what is going on," he said.

Japanese officials noted that the agreements which have been dismantled covered products that had become progressively less sensitive, but they were nonetheless surprised by the apparent change of policy.

Still in place, according to the DTI, are arrangements limiting exports to Britain of Japanese fork-lift trucks, machining centres, numerically-controlled lathes, cars and commercial vehicles.

Britain's decision to press for some arrangements to be unwound reflects government policy of stimulating competition in industry, but voluntary restraint arrangements are also highly controversial in international trade politics. Their proliferation has fuelled compaints over the increase in non-tariff barriers in recent years.

As a practical matter, it will become harder for EC countries like Britain to maintain them in place at a national level in the run-up to completion of the single European market in 1992.

This will pose particular problems for products such as cars for which current arrangements vary widely from country to country. The present British arrangement permits Japanese cars an 11 per cent share of the UK market, but they are virtually excluded from France and Italy while there are no restrictions at all in Belgium.

Because of this anomaly, Italy's Trade Minister, Mr Renato Ruggiero, has urged the EC to develop a more coherent external trade policy towards the outside world in the run-up to 1992.

Greece, Albania in trade deal

BY ANDRIANA IERODIACONOU IN ATHENS

GREECE AND Albania, whose relations have improved significantly since the lifting by Athens last August of a technical state of war between the two countries dating back to World War II, have signed an agreement to promote trade

The agreement was signed in Northern Greece by the visiting Albanian Foreign Minister, Mr Reis Malile, and his Greek counterpart, Mr Karolos Papoulias. The two officials also reiterated an agreement to set up a ferry link between the island of Corfu and the Albanian coast

According to the most recent available data, in 1986 Greek exports to Albania totalled just $6m (£3.3m), against Albanian exports to Greece worth $21m. Greek exports include re-exported US coal, while 90 per cent of the value of Albanian exports to Greece represents electric power.

Greek-Turkish bid to boost ties

BY ANDRIANA IERODIACONOU

A COUNCIL of leading businessmen from Greece and Turkey launched a two-day forum in Athens yesterday devoted to capitalising on the recent improvement in the political climate between their two countries.

The forum, attended by about 100 businessmen, is being led on the Turkish side by Mr Sarik Tara, of Enka Holding, and on the Greek side by the President of the Federation of Greek Industries, Mr Theodore Papalexopoulos. The talks are expected to cover both export trade and the prospects for joint ventures in Greece, Turkey, and third countries, particularly in the Middle East.

Progress in the economic field, however, is likely to depend as much on further political developments as on the results of the two-day meeting.

The stage for the forum was set by the landmark meeting in Switzerland last January between the Greek and Turkish Prime Ministers, which yielded an agreement to resolve bilateral differences by peaceful means.

So far, the so-called "spirit of Davos", named after the Swiss town in which the summit took place, has held up, with Greek-Turkish relations going through their most relaxed phase in years. This improvement, however, still appears fragile.

According to Greek data, the trade balance with Turkey has registered a surplus in Greece's favour since 1983. Turkish data show a surplus for Turkey. Greek exports to Turkey include iron and steel products, while imports from Turkey include plastics and textiles.

Retail sales dip adds to evidence of slowdown

BY RALPH ATKINS

BUOYANT GROWTH in retail sales showed signs of faltering last month, according to official figures published yesterday, which added to evidence suggesting a possible slowdown in the UK economy.

Provisional figures from the Department of Trade and Industry show retail sales volume fell a seasonally adjusted 0.3 per cent in March. This cancelled out a similar sized rise in February.

The drop took many City of London economists by surprise as other indicators pointed to a further rise. The DTI said it was wrong to read too much into one month's figures and there are no clear signs of a slowdown from a strong underlying growth rate.

In the three months to March, the level of sales was more than 1 per cent higher than the previous three months. It was 7½ per cent higher than the first quarter of 1987

In March the seasonally-adjusted index of retail sales volume stood at a provisional 134.9 (1980=100) compared with 135.3 in February. The value of sales was £9.8bn, which was 11 per cent higher than March last year.

The figures tally with the results of the Confederation of British Industry/Financial Times distributive trades survey published yesterday which pointed to a slowdown in retail sales growth after a buoyant winter season.

Statistics released on Friday showed industrial output appeared to have fallen sharply in February, while unemployment in March was falling at a declining rate. Together with the retail sales figures, this implies economic growth may be slowing.

This would ease the worries of some economists that recent interest rate cuts in response to a strong pound may be causing undesirable side effects in a domestic economy which, they say, is growing too fast.

However, many believe there retail sales in coming months will grow rapidly.

Life premiums soar on AIDS risk

BY ERIC SHORT

BRITAIN is starting to witness an explosion in the cost of insuring a person's life as the life assurance industry adjusts its premiums to the anticipated impact of AIDS on mortality rates.

Over the weekend, the Sun Alliance Group informed its intermediaries that premiums for term assurance rates for men would in some cases rise by more than 150 per cent from next Monday.

Two other big composite groups also confirmed yesterday that they would be taking similar action. Commercial Union Assurance said that they would issue a statement within a few days announcing rises in premiums. General Accident Life indicated it would be taking action early next month.

For several months actuaries have been stressing that imposing more stringent underwriting methods would, in themselves, be insufficient to cover the extra risk from AIDS. Premiums rates, they warned, would have to increase.

Zurich Life last week became the first life company to take action. It is now being followed by the biggest providers of term assurance contracts - policies which pay out on the death of the person within a specific period. Sun Alliance last year had around 10 per cent of this market.

The premium increases being made by Sun Alliance highlight the effect of AIDS. For man aged 29, with cover of £65,000 – which is the average for the company – the monthly premium for a non-smoker is lifted by 57 per cent to £8.41 on a five year term, by 142 per cent to £13.09 on a 10 year term and by 156 per cent to £15.04 on a 15 year term.

The impact of AIDS on life premiums is not solely confined to the mortality element. The underwriting procedures, which include an extra questionnaire and automatic blood testing for the HIV virus (which indicates presence of AIDS-related antibodies) for large levels of cover have led to higher administration costs.

Sun Alliance has taken the opportunity to reassess completely its rates to allow for current conditions which include the new commission rates applicable from July 1.

Above all, Sun Alliance has for the first time produced a separate term assurance premium table for women, instead of making an age adjustment to the rates for men.

The company's actuary has also increased rates for women to allow for a possible rise in mortality rates in the longer term because of AIDS. The rises are, however, lower at around 25 per cent. Term assurance under the new rates will be more than twice as expensive for men as for women.

Consultants criticise high price of British television advertising

BY RAYMOND SNODDY

BRITAIN's beleaguered commercial television companies yesterday received another blow with the publication of a report claiming that advertisers face an annual bill of £700m a year because of the high cost of television advertising.

The report by international consultants Booz Allen & Hamilton says that the UK airtime is exceptionally expensive by international standards.

Small companies could therefore afford only limited regional television campaigns and larger companies had to concentrate on backing more important brands.

Mr Charles Jonscher, a Booz Allen vice president and author of the report said yesterday: "The commercial television industry has become extraordinarily inefficient. There is no doubt whatsoever it constitutes an unsatisfactory use of the monopoly resources granted to it."

There was now no argument, Mr Jonscher said, against the introduction a fifth television channel in the UK financed by advertising and the competitive selling of Channel 4's airtime. The ITV companies at present sell Channel 4's airtime and pay for the channel with an annual subscription.

A fifth channel based on advertising would cut the average cost of airtime by a third

Mr Dick Johnson, marketing services director of Procter and Gamble, one of the group of advertisers which sponsored the study said it was the first time that all the information on the television advertising market combined in one document.

The Independent Television Association, the body representing all the ITV companies said it wanted to study the report before commenting. However, the ITV Association has commissioned its own study of the television advertising market from National Economic Research Associates, the consultants. Preliminary findings suggest that a fifth channel would have a limited effect on airtime inflation because advertisers would still want to reach the largest mass markets.

Doctors call for £1.5bn extra health spending

By Feona McEwan

THE British Medical Association (BMA)yesterday called for increased Government spending of £1.5bn on the National Health Service, based on the country's wealth.

In a memorandum to the all-party Social Services select committee of MPs, which is monitoring the Government's review of the health service, the BMA, representing Britain's doctors, came out strongly in favour of the present system of financing the NHS from taxes.

A recommendation last week from the Royal College of Nursing made similar proposals.

The BMA examined many ways of funding the NHS which have been suggested in recent weeks. The association concluded that "in the short term there is no substitute for increased resources from taxation, earmarked or otherwise, particularly in the acute hospital sector."

The association said that NHS funding should be linked to the nation's wealth as a factor of gross domestic product.

Mr Jon Ford, BMA head of economic research, said yesterday that although no one knew how much it cost to run the health service, "we believe the country can afford more than the Government thinks it can." The BMA proposed a figure of £1.5bn in extra funds to run the NHS.

The BMA memorandum found that charges for visits to general practitioners and hospital stays were a "non-starter" given the current emphasis on preventative medicine. Such charges, the association said, would deter people from seeking treatment.

Earmarking of taxes, possibly in the form of a health tax similar to a road tax that used to help pay for roads, was an "attractive proposition."

However, the BMA said the tax should not be directly related to demand for the NHS and that there would be problems defining the appropriate system. An alternative might be to tax hazardous products such as alcohol.

Cost improvement programmes in district health authorities, which have been running since 1984, have exhausted their potential.

Internal markets – moving patients around for treatment wherever there is spare NHS capacity – would be resisted by patients who disliked travelling far for treatment.

Airtime prices 'causing direct economic losses'

BY RAYMOND SNODDY

THE LONG BATTLE by British advertisers to convince the Government that inflation in television airtime is a problem worthy of attention received a strong boost yesterday.

A report on The Economics of Television Advertising in the UK by international consultants Booz Allen & Hamilton argues that the direct economic losses attributable to the high cost of television advertising in the UK amounts to £700m a year. The report claims that UK advertisers have to pay 64 per cent more for television airtime than important international competitors.

The report was compiled with the backing of 22 of Britain's largest advertisers, together accounting for a quarter of all television advertising expenditure. Mr Charles Jonscher, the Booz Allen vice president who produced the study, points out that that in 1986 it cost £4.19 to reach 1,000 viewers with a 30 second advertisement in peak time. This compared with an average of £2.55 in the other leading nations of the Organisation of Economic Co-operation and Development.

The report also argues that the inflation of UK television airtime has been so serious that the cost of ITV advertising rose by 57 per cent between 1980 and 1988. Mr Jonscher goes on to argue that there are also estimated economic losses to the viewer of £600m a year because programmes are more expensive than they need be.

Television Advertising
Cost per thousand adults for 30 seconds at peak rates, 1986

US	£2.45
Japan	£2.37
W.Germany	£2.98
France	£2.19
Italy	£2.75
UK	£4.19

Source: Saatchi & Saatchi Advertising Worldwide, European Market & Media Fact 1988

Companies, the report argues, have responded by cutting the budgets of their smaller brands to support main brands and by extending the life of existing brands rather than launching new ones. Many small companies, the report found, can only afford television advertising on a limited regional basis.

A study for the Home Office argued persuasively that subscription could not raise enough money to be a substitute for the BBC licence fee.

An earlier study for the Department of Trade and Industry suggested that freeing enough frequencies for new channels of television was a political rather than a technological problem. This has been backed up by engineering studies which accept that two more channels are possible.

The present report comes as the Government is moving towards taking formal decisions on whether or not to go ahead with fifth and sixth channels.

The Booz Allen report looks at five options to alleviate the problem of rising costs in commercial television – price regulation, extra minutes of advertising, auctioning franchises, competitive selling of Channel 4 airtime and an advertising funded fifth channel - and concludes that only one would make a decisive difference.

An advertising supported fifth channel, the report argues "would help very substantially to close the gap between supply and demand in the TV advertising market by increasing supply considerably during the early 1990s."

By 1995 a fifth channel, either popular or more narrowly targetted, could earn more than £300m a year and although ITV would suffer some revenue loss, it would still have net revenues of more than £900m

The Economics of Television Advertising in the UK. Booz Allen & Hamilton, 100 Picadilly, London WIV9SA. Price £45.

Property prices continue to rise

By Andrew Taylor

HOUSE prices are continuing to race ahead throughout Britain but rises in London have slowed according to the the latest house price survey conducted by the Royal Institution of Chartered Surveyors.

The survey of 122 estate agents conducted last month in England and Wales showed that almost 30 per cent of agents reported that prices had risen by more than 8 per cent during the first three months this year.

A special survey of the West Midlands showed that region may be developing into one of the new pace setters.

Prices in London, after a sluggish start to the year, had picked up with the spring buying season, but rises remain well below the levels being achieved just a few months ago,

Thatcher urges industry to face EC challenge

BY GUY DE JONQUIERES, INTERNATIONAL BUSINESS EDITOR

BRITAIN must make a sustained national effort to ensure business and industry were aware of the challenge of the single market planned by the European Community for 1992, Mrs Margaret Thatcher, Prime Minister, said yesterday.

She told a conference of more than 140 business leaders in London that Britain had not done well enough in trade with the rest of Europe and that it had failed to make the most of opportunities when it joined the Community in 1973.

However, Britain's recent economic recovery meant it was as ready as, or more ready than, most other European countries for the 1992 initiative.

"The task now is to harness that spirit of enterprise to tackling the challenge of the single market," said the Prime Minister.

Businesses must start preparing now. "Competition will be stiff. We have got to be good. It will be like running a marathon every day and we want the gold medals," she said.

Lord Young, Trade and Industry Secretary, who organised the conference, said that although the Community plan envisaged the complete abolition of internal frontier controls after 1992, the UK planned to keep some border posts to enforce measures such as anti-rabies checks.

The minister would not say when the UK expected to become a full member of the European Monetary System.

Debate on this issue could be a thing of the past once the Community had created a full single market with complete freedom of movement for capital.

However, he doubted whether some important elements of the single market plan, such as opening up public procurement to Community-wide competition, would be in place by the end of 1992.

Lord Young said that he aimed to make 90 per cent of companies in the UK aware of the 1992 internal market plan by the end of this year.

Yesterday's meeting, which is to be followed by 20 regional conferences, is part of a publicity campaign on which he plans to spend £15m in four years. The minister has recently raised some criticism from the opposition and within Whitehall over the sums spent by his department on advertising.

Navy offers help on ship sale to Saudis

BY LYNTON MCLAIN

THE ROYAL NAVY is prepared to offer to lease two of its mine countermeasures vessels to Saudi Arabia in an attempt to help Vosper Thornycroft win a £240m order for eight minehunters.

Mr Peter Usher, the managing director of Vosper Thornycroft, the south coast warship builder, flew to Saudi Arabia last week at short notice for further meetings on his company's proposed sale of the Sandown class single role minehunter vessels.

He said yesterday after the launch by the Duchess of Gloucester of the first Sandown class vessel for the Royal Navy, HMS Sandown, that he was very hopeful of winning the Saudi order.

He expected further meetings with the Saudi authorities at the end of Ramadan, but said it was significant that the head of operations for the Saudi navy was a guest at yesterday's launch, despite Ramadan.

Mr Usher said, without specific reference to Saudi Arabia, that Middle East countries had tight budgets due to the relatively low oil price.

"I would like to think that before the end of the year we would have signed a contract with Saudi Arabia," he said. Vosper Thornycroft is in competition with French shipbuilders, who are members of the Tripartite Consortium which also includes shipyards in Italy and Belgium.

Vosper Thornycroft is also in talks with the Spanish navy, whose officials were also at the launch. Vosper Thornycroft is trying to sell Spain the Vosper technology for building glass reinforced plastic minehunters, and the company expects a decision by Spain on the transfer of this UK technology for Spain to build up to 10 Sandown class minehunters, within the next three months.

HMS Sandown is the first warship to be designed for the Royal Navy entirely by computer and its plastic hull was built using new semi-automatic machinery at Vosper Thornycroft. The yard has another four Sandown class vessels to build for the Royal Navy but Vosper Thornycroft will be building these at its own cost as the navy does not formally require all these vessels.

Kevin Brown looks at the end of the slipway after a decline of fortunes in UK shipyards

British Shipbuilders thrown overboard

LABOUR BENCHES sang 'The Red Flag' when the House of Commons nationalised UK shipbuilding in 1977, enraging Conservative Members of Parliament who had fought to keep the industry in the private sector.

But it now looks as if Tory MPs who forecast that nationalisation would lead to disaster will have the last laugh.

British Shipbuilders has looked in poor health throughout most of its 11-year life, and the proposed sale of its Govan yard to Kvaerner Industrier of Norway seems almost certain to be its death warrant.

Sentence was formally delivered in the Commons yesterday by Mr Kenneth Clarke, the Industry Minister, who has made little secret of his wish to rid the public sector of one of its most expensive liabilities.

The corporation has run up debts of £1.3bn since 1977 – all in accumulated losses covered by the Government – and is believed to have lost a further £100m in the financial year just ended. The prospect of continued losses has made the Government lose patience with British Shipbuilders, despite the employment implications of breaking it up.

Yet the decline of British shipbuilding really began after World War Two, long before nationalisation. Immediately after the war, the industry employed more than 100,000 people, and provided work for thousands of others in ancillary industries.

Fears were growing for the future of British Shipbuilders' Sunderland subsidiary last night after the Government revealed there were "contractual difficulties" with its only order, writes Kevin Brown.

It also emerged that private sector companies have shown interest in purchasing all of British Shipbuilders' major subsidiaries except the Sunderland yards, known as North-East Shipbuilders Ltd.

Mr Kenneth Clarke, the Industry Minister, said no Government decision to close NESL had been taken. But British Shipbuilders' managers have previously indicated that NESL would not be viable without the support of the rest of the corporation.

NESL employs some 3,000. Its only contract is a £90m order for a series of 26 small ferries for VR Shipping and PZ Trading of Denmark, which was expected to provide work until the end of next year.

Two ships have been delivered, and four more are thought to have been launched, but it was not clear whether construction work could continue in the face of the contractual difficulties revealed by Mr Clarke.

Meanwhile, British Shipbuilders received a letter of intent yesterday from Kvaerner Industrier, the Norwegian operator of gas-carrying ships, indicating that a bid would be made for the Govan yard, in Glasgow.

Kvaerner said its bid would include an undertaking to order two medium sized gas ships from Govan for delivery in 1990 and 1991, and that it would transfer its advanced technology to the yard.

The late 1940s and 1950s brought a boom in orders as shipowners turned to the world's biggest shipbuilding nation for replacements for tonnage lost during the war. But the glut of orders led to an increasingly rigid labour market, and a lack of investment by many shipyards.

Meanwhile, West Germany was rebuilding its industry, and Japan was building on a strong pre-war naval building tradition to create the world's biggest merchant shipbuilding capacity. Later, South Korea appeared at the head of a clutch of newly industrialised countries able to build ships even more cheaply than Japan.

Slowly, the UK shipyards became a byword for inefficiency and poor labour relations. Nationalisation provided an opportunity for an end to the spiral of decline. And great strides were made. Govan, for instance, has a labour-flexibility deal which is more advanced than many in operation in Japan.

But opportunities were thrown away because of organisational mistakes in the early days of public ownership.

The Conservative Government, elected in 1979, also dealt a fatal blow to the corporation's morale by privatising the warship yards in the early 1980s – by then they were the only part of the business capable of making money.

The corporation changed its marketing strategy, moving from head-on competition with the Far East for ships at the simpler end of the market. But, despite a massive marketing effort, the corporation has won only two orders and both were financed by the UK Government through its overseas aid programme.

The hard fact is that by the time British shipbuilding achieved technical and labour modernisation it was too small to matter. In the immediate post-war period, the UK built more than a third of the world's ships. But as foreign competition grew the UK share started to slip, and then to tumble. Last year, the UK share of completions was down to 1.58 per cent.

Mr John Lister, the former ICI manager put in as chairman of British Shipbuilders nine months ago, is a tough Yorkshireman who arrived with hopes of turning the corporation round by cutting costs and co-perating with other European yards to fight off the Far Eastern threat.

Tough as he is, however, Mr Lister soon discovered that his room for manoeuvre was limited, largely because only around a third of the cost of building a ship is controllable within the yard. The rest is material and equipment costs, particularly steel.

Also, world shipbuilding prices have been depressed for more than a decade by an overcapacity in shipping, caused partly by speculative ordering and partly by lack of growth in world trade.

As a result, all the world's shipbuilders have been forced to build at a loss, and in these circumstances British Shipbuilders cannot hope to compete with South Korea, where wages and steel costs are low, or with Japan, where yards benefit from huge economies of scale.

The great hope for British Shipbuilders' management has been a forecast boom in ship orders in the early 1990s, as the existing world fleet begins to age beyond repair.

Ironically, prices for some classes of ships have begun to rise in the last six months in what is seen in some quarters as the beginning of better times for shipbuilding. The European Community has also signed a limited deal with Japan to help push prices up.

Whether the improvement can be maintained in the long term remains uncertain. But for British Shipbuilders it seems unlikely to matter. The corporation was born in a storm of controversy, and it looks likely to go out on another.

Jaguar staff lift strike threat with 2-1 vote

By Richard Tomkins

PRODUCTION workers at Jaguar, the luxury carmaker, yesterday voted by two to one to accept revised terms for a productivity increase at the group's Brown's Lanes plant in Coventry, East Midlands.

The vote lifted the threat of a strike which has loomed over the company for more than a month.

Jaguar will proceed with plans to lift weekly output at the assembly plant by 92 cars to 1,300 with no corresponding rise in pay or the number workers.

The vote is likely to be seen as a victory for the management since it has secured the introduction of higher productivity at no extra cost and with only marginal amendments to the terms originally offered.

The company's shares rose 7p to 283p in London yesterday.

One of the workers' main objections to the higher output targets had been that production stoppages caused by shortages of parts and other factors beyond their control made it difficult to achieve productivity bonuses.

Under the revised deal a joint management and shop steward committee will smooth obstacles to higher productivity and so help workers move bonus payments.

Union chief calls for flexibility before 1992

BY CHARLES LEADBEATER

MR BILL JORDAN, the Amalgamated Engineering Union's President, yesterday called on the British trade union movement to adopt a strategy for the 1990s built on a more flexible approach to single union agreements, greater emphasis on training, and closer links with continental unions before the creation of the single European market in 1992.

Mr Jordan was opening the annual meeting of the unions's policy-making national committee in the south coast resort of Eastbourne. In his speech he identified four key issues which he felt the unions would have to address to regain their strength.

● To combat the growth of non-unionism and the derecognition of unions, the unions would have to adopt a flexible approach including single union agreements. Mr Jordan said the AEU would not turn back from its policy of signing such agreements despite the controversy which surrounds them.

He called on the TUC to introduce a workable code on union recognition which would enable single union agreements. TUC leaders are due to meet to draw up the details of the proposed code on May 18.

The AEU had no desire to leave the TUC, but it had no intention of allowing the TUC to override its policy of pursuing single union agreements.

Ford's decision to cancel a £50m investment at Dundee because of opposition from other motor industry unions to the AEU's single union agreement for the plant, was a pyhrric victory for misconceived principles, he said.

Mr Jordan called opposition to single union "the easy route of yesterday's dogma and today's non-unionisation, today's purity of soul and tomorrow's derecognition."

● If the unions were not prepared for the creation in 1992 of the single European market, the results could be calamitous, he warned.

The single market would require unions to negotiate European-wide agreements with multinational companies. Co-operation between unions across national boundaries would have to move from the realms of rhetoric to reality, he said.

● The AEU and other unions, would have to make youth training and adult retraining a greater priority in collective bargaining. He said industry's neglect of training and the Government's failure to provide enough incentives for in-depth retraining had left a legacy of skill shortages which were shackling the economy's growth

● The Labour Party had to pay more attention to the AEU as the Labour Movement's voice for the skilled working class.

While Mr Jordan attacked the Government for presiding over the contraction of manufacturing industry, he made a veiled suggestion that the unions needed to reassess the impact of the Conservatives' economic policies.

Bill Jordan: looking to Europe

Rates reform 'may threaten 50,000 small businesses'

BY CHARLES BATCHELOR

FIFTY thousand small businesses, most of them retailers, could be forced out of business by the Government's plan to reform the rates system, the Forum of Private Business, a lobby group, claimed yesteday.

Proposals for a rates revaluation and the introduction of a uniform national business rate in 1990 could push otherwise viable businesses to the wall, Mr Stan Mendham, chief executive said. The forum is the second largest of the small business lobby groups with 12,500 members and carries out regular polls of their views.

Ms Teresa Gorman, MP for Billericay, has tabled an amendment, inspired by the forum, to the Local Government Finance Bill, which reaches its report stage tomorrow. The amendment calls for smaller companies which cannot meet the higher rates bills to claim an abatement – a percentage reduction in payments depending on the amount of profits they make.

"Nicholas Ridley's agreement to a phasing-in of rate increases will help many small businesses but it is still a fact that financially viable businesses will be put out of business unless there are further changes," said Mr Mendham. "A safety net is essential to protect the more vulnerable in the small business community."

The forum believes that 50,000 businesses will be threatened, a sum based on a survey of its members which showed that 10 per cent faced very high rate increases. It estimates there are 500,000 retailers in the country.

Retailers face changes in their rates ranging from increases of 200 per cent and falls of 20 per cent, which represents an average rise of 50 per cent.

Service businesses face rises of up to 150 per cent and falls of 35 per cent, an average rise of 25 per cent, the forum estimates.

It wants small businesses to be able to claim an abatement of 25 per cent of their rates bill on profits up to £2,500, of 50 per cent on profit up to £10,000 and 75 per cent on profit up to £20,000. To qualify, businesses would file an accountant's letter including a copy of their balance sheet and of their last two years' tax statements.

Rates hit small businesses particularly hard, the forum claims. They pay about 25 per cent of their pre-tax profits in rates compared with just 5 per cent for big busineses. They are less able to increase prices to offset higher costs and have no influence on local authority spending because there is no business vote.

UK deficit on trade 'to rise sharply'

BY RALPH ATKINS

BRITAIN'S TRADE deficit will exceed £10bn a year by the end of the decade, the latest forecast by the Independent Treasury Economic Modelling Club predicts.

Buoyant demand in the UK economy and the strong pound are expected to push the current account deficit to £4.7bn this year and £8.2bn in 1989. This will increase to £10.4bn in 1990 – or more than 2 per cent of gross domestic product.

ITEM uses the Treasury's model of the UK economy but derives its results using different assumptions and interpretations. Treasury predictions announced in the budget for the UK current account show the deficit rising to £4bn this year and remaining roughly constant in 1989.

Commenting on its forecast for the trade deficit, ITEM says it suggests the sterling exchange rate will fall while interest rates rise. It also questions the scale of Government's tax cuts.

ITEM forecasts gross domestic product will grow by 3.1 per cent this year. Consumer spending and imports are expected to be higher than shown in official Treasury forecasts, but exports will be lower.

For next year, ITEM forecasts 2.1 per cent growth followed by 2.4 per cent in 1990.

New finance officer for credit body

By Peter Montagnon, World Trade Editor

THE Export Credits Guarantee Department has announced the appointment of Mr Michael Hawtin, a senior Treasury official, to replace Mr Fred Chapman as its principal finance officer when he moves to the private sector on a three-year secondment next month.

Mr Hawtin, 45, will become director of the ECGD's resource management group which controls its finance, treasury and personnel divisions.

He is at present an Undersecretary at the Treasury in charge of its local government group.

The ECGD hopes that the involvement in its affairs of a top Treasury official will lead to greater understanding of its problems in Whitehall, where the department has come under fire for its mounting borrowings from the Government.

These stood at £1.7bn at the end of its last financial year and Mr Malcolm Stephens, ECGD Chief Executive, has said they could peak at £3.5bn by 1993.

Mr Hawtin's experience includes a spell managing the finances of another government department, the Property Services Agency, between 1983 and 1986. He will join ECGD on a three-year secondment.

TECHNOLOGY

Texas Instruments gets into semi-custom groove

Terry Dodsworth explains how the ASICs battle will intensify

THE DIZZY growth in sales of semi-custom chips, a rarefied, specialised field only two or three years ago, could hardly be illustrated better than in Texas Instruments' decision to tackle the market with its most advanced process technology.

Texas, the second largest US semiconductor company, and the fifth biggest in the world, is now offering to manufacture semi-custom products – generally known as Application Specific Integrated Circuits, or ASICs – using its one micron technology.

This means that the hairline etchings that make the circuits on the chips will be no wider than one thousandth of a millimetre, considerably smaller than the standard 1.5 microns of the current generation. More functions can, as a consequence, be stuffed onto a chip, its processing speed increased, or its size reduced.

Several points emerge from the Texas announcement. First, it illustrates the practical application of the "technology driver" concept whereby semiconductor companies invest in memory chip technology as a means of developing the processes to make more complex logic semiconductors.

Memories are relatively straightforward chips to make, but as a result have become virtually commodity items, with competition largely based on price. The strength of Japanese competition in this field drove most US producers out of it in the early 1980s, but the trend is now being reversed as companies fight to master the latest processing methods.

Texas, for example, invested heavily in the race to develop one megabit memories – chips capable of holding 1m pieces of information – and will now use this technology for its ASIC production. In Western Europe, the Philips and Siemens collaborative Megaproject is aimed at a similar target.

Second, the Texas move demonstrates the accelerating drive of the large volume producers into ASIC manufacturing.

Until quite recently, there was not sufficient volume in the semi-custom field to attract the leading semiconductor companies, which all have extensive manufacturing plants that need to be kept employed. As design libraries have grown, however, and more customers have familiarised themselves with the technology, demand has expanded to a point where the industry leaders have to participate.

Third, Texas will undoubtedly be met with a strong competitive counter-thrust. The leading Japanese companies will not be far behind – indeed, Toshiba, the world leader in the one megabit memory field, says it is also moving into one micron ASIC production for its European customers.

As far as Europe is concerned, the Texas announcement is an intriguing indication of the US company's attempts to maintain the initiative over the Japanese. Because the Japanese companies arrived much later in the region, their market position is much weaker, but they have built steadily on their strengths in memory chip production and, more recently, in ASICs.

The most important advantage Texas has in the battle is its established position, with manufacturing plants and a pan-European marketing organisation already in place.

Fourth, a question: where does this intensifying battle of the major companies leave the smaller, specialised producers?

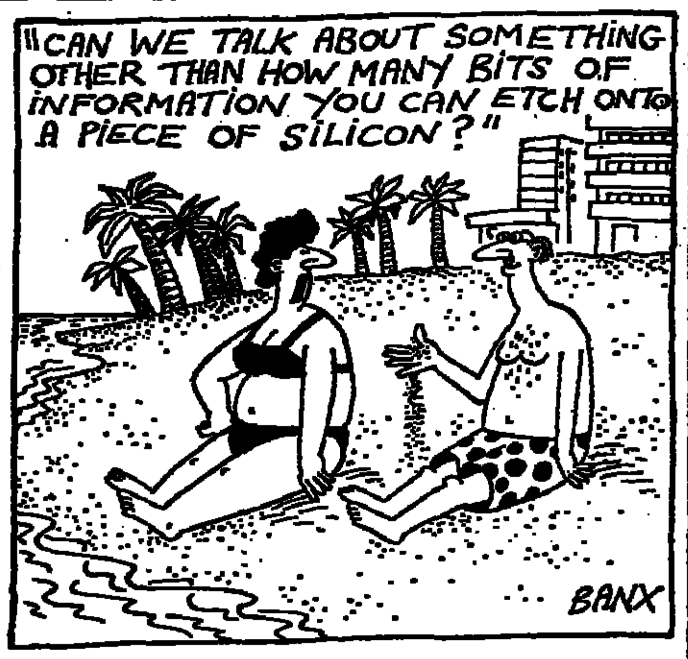
For the time being, the specialist ASIC companies still have plenty of room for growth in particular niches because the larger companies are not attacking the market for the more elaborate ASICs. Nevertheless, the threat is there.

At present, for example, Texas is concentrating only on the simpler aspects of a technology known as gate arrays, a method of producing the semi-custom chip by connecting a number of uncommitted components or logic gates together.

The volume market in this field is for chips with up to 8,000 or so gates, so this is where Texas will direct its sales drive, leaving the rarefied field of up to 100,000 gates to the specialised producers. But in due course, the big companies will undoubtedly move into this area.

Indeed, TI already has plans for introducing one micron processes to the more sophisticated standard cell technique for making ASICs, a process by which chips are designed by linking together a number of existing sections or cells of circuits.

This move will probably come before the end of the year, underlining the speed at which the ASIC market is expanding, and the technical demands of remaining in the field.



Rockwell moves to cash in on EC telecoms market

BY JANE RIPPETEAU

THE EUROPEAN Community's plan to create a single market by 1992 got a vote of confidence last week from one outsider – an American who sees the end to nettlesome cross-border trade barriers in the telecommunications sector as a way of bolstering his ambitious predictions for business growth.

Gilbert F. Amelio is president of the Telecommunications and Semiconductor Products Businesses of Rockwell International of Newport Beach, California. He believes that largely because of deregulation and increased product standardisation in Europe he will be able to increase European sales from $50m to $500m or more in the next five years.

The Rockwell unit, which has a worldwide turnover of $1bn, last week unveiled a $10m design and development centre in France.

"This facility will allow engineers designing semiconductor chips and product sub-systems to be close to their customers. Design stations at the centre will be linked to Rockwell's main computer-aided design facilities in Newport Beach, where the company has its primary software, design tools and database," says Tom Geary, programme manager.

Amelio also reports that his company has "three major initiatives in the works" which will involve co-operative ventures with European and American partners in Europe. Nothing will be announced for at least six months, he says, adding: "No one company is big enough to span the entire spectrum. We are all setting up partnerships."

Rockwell's new European centre, in Sophia Antipolis, a purpose-built science park near Nice, is to serve customers for the company's products in niche telecommunications and data communications markets. Work will include that on chips for facsimile machines and other data communications products.

In the semiconductor industry, as more and more system functions have been engineered onto chips, suppliers have tried increasingly to involve customers in the chip design process. Chip makers with such close customer relations have had a competitive edge.

Explaining why Rockwell did not make such a move sooner, Amelio says: "I think the time is right because of a new seriousness in the way Europe is dealing with telecommunications deregulation. I think it is going to succeed in this area."

He adds that from conversations with European business executives, his "intuition is that progress is being made. It is beyond the stage of polite talk."

In the past, "people in the EC believed that barriers among themselves were good. Today they realise that if they continue in this way they will end up paying much more than anybody else for their telecommunications capability. Products built in one country would have to continue to be adapted to meet specifications in a neighbouring nation," says Amelio.

One of the most encouraging signs of reduced regulation in Europe has come from efforts to develop standards for the so-called integrated digital services network, or ISDN, says Amelio. This network will have the ability to transmit voice and data simultaneously over public telephone lines.

Amelio's particular business focuses on connection devices used in the public switched network and in private networks among, for instance, individual pieces of equipment in the office or machines on a factory floor.

He says ISDN standards already developed have made it much easier to develop common products. He adds that one reason for locating Rockwell's new centre in Sophia Antipolis was that one of the agencies certifying products after 1992 will also be located there.

Rockwell executives are particularly keen to take advantage of continuing growth in the facsimile machine market. Europe has lagged behind sales growth in the US and Japan. But, according to Dataquest the market research company, worldwide sales of fax machines will grow from 4m this year to 10m by 1993, and Europe will be the main buyer.

At the same time, says Geary, Japanese producers which make 80 per cent of the fax machines sold worldwide are beginning to transfer their technology to European companies to get round trade barriers. Rockwell claims a 70 per cent share of the market for chips that power the modems that are built into each facsimile machine. Its new facility in France will therefore put it close to present and prospective customers.

WORTH WATCHING

Edited by Geoffrey Charlish

Kodak adds Edge to its British copiers

KODAK HAS entered the UK plain paper colour copying market with the introduction of the ColorEdge machine that made its debut in the US earlier this year.

The £37,500 copier/duplicator operates at 23 copies a minute, which Kodak claims is four times faster than any other colour copier available in Britain.

ColorEdge is aimed at organisations with monthly copying volumes between 3,000 and 25,000. It produces A4 copies from A3, A4 or A5 originals containing text, graphics or photographs.

To make a copy, three light flashes pass consecutively through three colour filters to make separate electric charge "images" along a photoconductive belt. The belt has a built in dot structure to allow photographs to be dealt with.

The three coloured toners are presented to each image and adhere by electrostatic attraction according to the density of the images. The belt then moves to a transfer roller which places the toner images in turn on to plain paper, where they are fused by heat to give a colour copy. The toners are translucent, allowing them also to be used to make colour transparencies.

A useful feature enables rectangular blocks of colour to be changed on the copy using a "sonic pen". This is simply touched on to opposite corners of the desired area, and detectors are able to define the positions of the pen and instruct the toner control circuits to lay down another colour, or leave the area blank.

In the autumn a further model will be launched devoted to spot colour addition on black and white copies.

Far-off measurements come to the surface

THE WEST German-based Wild-Leitz group has developed an infra-red optical gauging system that allows movement of a distant object to be measured accurately. For example, a 0.25-metre movement of a surface 15 metres away can be measured with a resolution of 0.001mm.

Many measurements are feasible where contact with the object cannot, or should not, be made, for instance, in steel strip mills or in checking the relative movement of parts in vehicles.

Infra-red light (used to prevent system corruption by room or day light), is projected at the surface. The reflected light is then collected by receiving optics and concentrated in a spot on the surface of a charge-coupled device (CCD).

This CCD is similar to the picture recording device in a TV camera and the position of the spot on its surface can be registered by associated electronic circuits.

The angle between projection and receiving optical systems is fixed at a certain value and if the surface of the object comes closer or further away, the spot moves correspondingly over the surface of the CCD and its position is geometrically related by triangulation to the distance of the surface from the sensor.

Staying in touch with paging versatility

CONVENTIONAL PAGING by "bleeping", one-way speech from base to the pager, or two-way speech, can be provided as needed on Speech-Page 900, an on-site communications system which has just been launched in the UK by Tele-Nova of London.

Tele-Nova is part of the Ascom group which was formed recently from the merging of Hasler and Autophon in Switzerland.

The system is most suited to organisations with staff that are often away from telephones, or whose jobs make it difficult to get to a phone. The simplest receiver when paged emits one of seven tones, shows a light and produces a 16-character message on a liquid crystal display (for example, "ring the boss").

Where messages have to be longer, there is a model which allows one-way speech from a central control operator. The most sophisticated model enables two-way speech, yet it weighs only 145gms with batteries and measures 138mm x 54mm x 20mm.

Conversations between pager users are also possible, and programmable groups of pagers can be called.

US Scara robot goes electric

UNIMATION, THE US-based robot manufacturer, has developed an all-electric Scara robot. (The Scara is basically a strongly hinged arm working from a central column in the horizontal plane only. Vertical movement is provided by a driven rod at the end of the arm.)

Unimation's robot has a basic price of $90,000 and has been designed for materials handling, and machine and pallet loading in factories.

Argonne draws a bead on toxic gases

IN THE US, Argonne National Laboratory recently developed a versatile toxic gas detector called the Chemical Parameter Spectrometer (CPS) and has licensed it for manufacture by Transducer Research of Naperville, Illinois.

The CPS-100 weighs 15lbs and detects any of 40 common industrial gases in three minutes. During this time it will identify the gas and measure its airborne concentration, sounding an alarm if safe levels are exceeded.

The instrument can be used by firemen, safety inspectors, and anyone needing to know what gases are present during an accident. Further versions under development are expected to be able to detect any of 100 gases.

Automatic objective for UK lighthouses

THE UK consulting engineer Ewbank Preece has been appointed by Trinity House, the lighthouse service, to advise on communications criteria for the country's lighthouses in the next decade.

Trinity House has for some time been planning a gradual reduction of manning by automating equipment at its sites.

Ewbank Preece will consider communications systems with facilities for voice and data transmission and will look at supervisory, control and data acquisition communications.

CONTACTS: Kodak: UK office, 0442 61122. Wild-Leitz: UK office, 0582 494040. Tele-Nova: London, 882 9816. Unimation: UK office, 0952 618057. Argonne National Laboratory: US, (312) 972 5584. Ewbank Preece: UK, 0273 724533.

De Beers still leads after 100 years - centenary marked by record sales, profits and dividend.

Extracts from Julian Ogilvie Thompson's Statement for 1987

It must be unique for a company which on its formation became the leader of an international business, indisputably still to hold that position at its centenary. Yet that is the achievement of De Beers Consolidated Mines, which was formed on 12th March, 1888, and celebrated its centenary on 11th March, 1988, at a banquet in Kimberley.

It is no less gratifying that in our centenary year the Central Selling Organisation should have been able to announce record sales of rough diamonds, and the Company to announce record profits and declare its highest dividend ever.

The sharp fall in prices on world stock exchanges from the middle of October understandably caused hesitancy in diamond markets. Fulfilling its traditional role, the CSO responded by severely reducing its sales at the November and December sights and maintained its cautious policy into the new year. This action, together with reports of good Christmas sales in the retail trade, resulted in a restoration of confidence during the first quarter of 1988 and the market is once again firm.

Further growth.

For the fifth successive year world retail sales of diamond jewellery established a record, principally as a result of increasing consumer confidence and spending — a reflection in turn of further growth in the world economy — and the success of our major advertising and promotion campaigns in 28 countries.

Retail sales in the United States again grew by some 10 per cent and sales outside the US were stimulated by the fall in the dollar. In Japan, the second biggest market, sales were buoyant, particularly in the larger pieces and men's jewellery. Strong growth was also evident in other parts of the Pacific Rim. In Europe, after a number of disappointing years, there has been a strengthening of demand, and overall we estimate that in dollar terms sales in the major markets rose by 14 per cent, as they did in 1986.

The mood in both the cutting centres and the retail trade is optimistic, so that given the maintenance of producer co-operation and growth in the major economies we can look forward to another satisfactory year.

Industrial Sales.

Sales of natural industrial diamonds and of synthetic abrasives and polycrystalline diamond (PCD) products were a record in both volume and value and the trend has continued into 1988. There has been some recovery in the natural drilling market, after several years of depression; and PCD products are penetrating new areas of application — rather than displacing other diamond tools — for example as large cutting pieces for oil-well drilling and the wood-working industry.

The Argyle mine in Australia, which in terms of volume is the world's largest producer, has been operating at full capacity for the last two years. The absorption by the market of most of the cuttable portion of its production has been remarkable. This has been greatly facilitated by the efforts of the CSO, both in its methods of assortment and sale and through its consumer advertising; by the constructive relationship between it and Argyle Diamond Sales; and by the ingenuity of the Indian industry, which manufactures the majority of these stones, in working them.

An important development during the year was the exchange by De Beers Botswana Mining Company (Debswana), in which the Government of Botswana is an equal partner, of part of the stock of diamonds accumulated in the depression of the early eighties for a five per cent shareholding in De Beers itself. The arrangements also entitle Debswana to representation on the boards of De Beers and the Diamond Trading Company. As the new mines discovered by De Beers' geologists in Botswana have been brought into production in the last two decades Debswana has become the western world's major producer of diamonds, by value, and it is entirely appropriate that it should participate fully in the decision-making of De Beers and the CSO. I am sure the arrangement will further strengthen the stability and confidence of the industry as a whole.

Total production from De Beers' mines and Debswana in 1987 was marginally lower at 22,842,586 carats. The mines have continued to control costs satisfactorily in an inflationary environment. Plant modifications at the Jwaneng mine in Botswana should result in a further increase in production of some five per cent this year. Close co-operation between the mines and the Diamond Research Laboratory continues to result in the introduction of improved recovery and more cost-effective techniques.

The economic appraisal of the Venetia pipes in the Northern Transvaal has been updated, but unfortunately the project continues to show an inadequate return on investment under current parameters, including the taxation capital allowance base. We shall continue to do all we can to turn this potentially important occurrence to account.

Our world-wide prospecting programmes have been continued; there are no discoveries of economic significance to report.

For many years our wholly-owned subsidiary CDM has financed one-third of the Anglo American Group's prospecting programme in Namibia. We were, therefore, particularly pleased when Anglo American, jointly with CDM, announced in October that it would be opening at a cost of R90 million the Navachab gold deposit, north-west of Windhoek, discovered in 1984. In consequence CDM will invest R30 million in the new open-cast mine.

In December shareholders approved the De Beers Employee Shareholder Scheme enabling employees in South Africa and Namibia to acquire shares in the Company, on an equal and voluntary basis, and at no cost to themselves. The response to the initial offer of 10 shares to each employee in January was encouraging and it is proposed to continue the scheme for at least four more years. Our purpose is to enable all our employees to participate in a meaningful, if initially modest, way in the wealth-creating process and the success of the company they work for.

The diamond industry employs several million people in over forty countries across four continents of the world.

The employment practices section of the annual report records the progress that has been achieved in other important areas. I would mention in particular the growth in our home-ownership scheme and the success of the pre-university bursary scheme for black undergraduates, which we initiated with Anglo American Corporation at the University of the Witwatersrand, and is now being extended to the universities of Cape Town and Natal.

To improve understanding of the career opportunities offered by the mining industry and its educational requirements we have introduced a new system of liaison between the mines and secondary school teachers and pupils which should be of benefit to all concerned.

Legislation removing job reservation in the mining industry has at last been passed but not yet brought into operation, pending the determination of new regulations. It is highly important that this long-outstanding matter should be brought to finality quickly, and that the regulations should facilitate the award of certificates of competency to qualified blacks.

The Anglo American and De Beers Chairman's Fund and Educational Trust approved expenditure during the year of R49 million, of which some 80 per cent is on education, primarily to help redress the imbalance between the black and white educational systems.

Reform for South Africa.

De Beers strongly supports rapid reform towards equal opportunity and dignity for all South Africans, based on full participation in the political process. Regrettably, I cannot report any notable progress in this direction in the year under review. The May 1987 election for the White Chamber of Parliament was fought largely on the issues of sanctions and security, and the response of the electorate, significantly, showed a marked swing to the right, with Afrikaans-speaking voters leaving the ruling National party for the Conservative party, while English-speakers swung from the Progressive Federal party and the New Republic party to the Nationalists. The overall effect was to make the Government much more concerned about pressure from its right — the Conservative party having replaced the Progressives as the official opposition — than from its left, and in consequence the reform process came almost to a halt. The Group Areas Act, one of the last great pillars of apartheid, is to be amended, not scrapped, and it remains to be seen whether the changes to be tabled will be bold enough to relieve the pressure on the few "grey" residential areas that have been tolerated.

KwaZulu/Natal Indaba.

A measure of consolation may be found in the fact that some of the positive changes made in earlier years have continued to bear fruit. In industrial relations, in education, in housing and in black participation in business, particularly in the informal sector, there has been progress. A joint executive authority between Natal and KwaZulu has been established and the Government, notwithstanding some discouraging statements, is said still to be considering the innovative constitutional proposals of the KwaZulu/Natal Indaba.

South Africa continues to be governed under a state of emergency, and recently far-reaching new restrictions were imposed upon a number of political and semi-political organisations. It is not easy to discern the reasons for what was done; if it is indeed true that South Africa can only be governed by such methods as these, then the need for constitutional reform is obviously greater than ever.

Despite sanctions and disinvestment there has been a marked recovery in economic activity, and in the black urban areas at least there seems to be some improvement in the quality of life. The Government's major concern now is to embark on a wide-ranging reform of the economic system. That is certainly as important as it is welcome, but it has to be realised that economic progress and political reform go together. One effect of the recent bannings may be to intensify sanctions and disinvestment, counter-productive though they have proved to be politically, and damaging as they are to the livelihood of those they ostensibly seek to help. More than ever it is urgently necessary to negotiate and implement a constitution which can provide equal opportunity and political participation for all, protected by an entrenched Bill of Rights.

The full Chairman's Statement is contained in the Annual Report of the Company for the year ended 31st December 1987 which was posted to registered Shareholders on 18th April 1988.

De Beers Consolidated Mines Limited
(Incorporated in the Republic of South Africa)
London Office
40 Holborn Viaduct, London EC1P 1AJ.

De Beers

FT LAW REPORTS

Winding up costs can include Insolvency Act costs

IN RE GOSSCOTT (GROUNDWORKS) LTD
Chancery Division:
Mr Justice Mervyn Davies:
March 18 1988

WHERE AN administration petition is heard with an unopposed winding up petition and is dismissed, the court may order that administration costs incurred in good faith, reasonably and on professional advice, are to be treated as costs in the winding up, down to the date of the first hearing of the winding up petition; and a personal order against one of the directors who initiated the administration is unjustified if he acted responsibly in an effort to save the company and if the application is against him alone.

Mr Justice Mervyn Davies so held on an application by petitioning creditor, Mrs Lester of R. P. Lester, a firm, when ordering in favour of Gosscott (Groundworks) Ltd that administration costs be treated as costs in the winding up, and that a personal order for costs should not be made as against director Mr David Goss.

HIS LORDSHIP said that Gosscott was incorporated in 1984 to carry on the business of builder and building contractor. Mr David Goss and Mr Hugh Scott were the directors at all material times.

In the closing months of 1987 the company was in financial difficulties. By November 5, £14,428 was owed to a firm called R. P. Lester which from time to time carried out work for the company. The firm was a Mrs Lester who employed her husband. On November 24, the firm served a statutory demand. The company was unable to comply.

Mr Goss consulted an authorised insolvency practitioner, Mr F. S. Simms. On his advice, Mr Goss paid off the work-force up to December 12 and the company ceased to trade.

On December 16, Mrs Lester presented and served a winding up petition based on the statutory demand. On the next day a meeting took place, attended by Mr Simms, Mr Goss, an auditor and the company's solicitor.

Mr Simms advised that an application be made for an administration order. The meeting had in mind section 8(3)(d) of the Insolvency Act 1986 – that is, that administration would result in a more advantageous realisation of the company's assets than would be effected in a winding up.

The company's solicitors presented an administration petition in Coventry on December 21 1987. The return date for the petition was given as January 7 1988 in Coventry.

On December 21, Mrs Lester applied *ex parte* in the winding up proceedings in London for the appointment of a provisional liquidator. Mr N. R. B. Godden was appointed. The administration petition was presented without the company knowing of that *appointment*.

On January 7 there was no available time for proper consideration of the administration petition and it was transferred to London to be dealt with alongside the winding up petition. In the meantime the provisional liquidator was active.

In his affidavit he expressed the opinion that the company was insolvent and that the appointment of an administrator as an alternative to liquidation would have no material effect on contract realisations.

On February 8 both the winding up petition and the administration petition were before Mr Justice Harman.

The company did not seek to support the administration petition and it was dismissed. On the winding up petition a compulsory order was made without opposition from the company. Mr Justice Harman left for future consideration some questions as to costs.

The first question was whether the company's costs in the administration petition should be allowed as costs of the winding up.

Mr Crow for Mr Goss submitted that if an administration petition presented in good faith was not proceeded with after its first hearing, and a winding up order was made without opposition, the costs of the administration petition should be regarded as costs in the winding up (see by analogy *Bathampton [1976] 1 WLR 168*).

The legislature introduced the administration order as a possible means of averting the winding up of an insolvent company (see section (1)(a) of the 1986 Act).

A decision in good faith to use that means ought not, in a proper case, carry with it the certainty that if the attempt failed and winding up ensued, the costs would fall on the directors who sought to save the company, or on the solicitors and accountants who had been employed in the matter.

The court was satisfied that the administration petition was presented in good faith, reasonably and on the advice of an insolvency practitioner. It should, insofar as it had jurisdiction, allow the company's costs incurred in the administration petition (down to the first hearing) to be regarded as costs in the winding up.

As to jurisdiction, it might be said that the court should not allow the costs of the administration petition to be regarded as costs of the winding up petition because the two sets of proceedings were separate.

The proceedings had to be separate. The company could not have intervened in the winding up proceedings to suggest an administration order as an alternative to winding up. One might say that the company incurred the expense of the administration proceedings in the course of the winding up proceedings.

Rule 7.33 in Chapter 6 of Part 7 of the Insolvency Rules 1986 provided that Order 62 of the Rules of the Supreme Court applied to insolvency proceedings, "subject to provision to inconsistent effect made . . . in this chapter."

There appeared to be no provision "to inconsistent effect" in the chapter. The reference to "insolvency proceedings" meant any proceedings under the Act or Rules (see rule 13.7). So Order 62 applied to proceedings for winding up and for administration.

Order 62 rule 2(4) provided that the powers and discretion of the court under section 51 of the Supreme Court Act 1981 were to be exercised subject to and in accordance with Order 62.

Section 51 of the Supreme Court Act provided that "the costs of . . . administration . . . shall be in the discretion of the court, and the court shall have full power to determine by whom and to what extent the costs are to be paid."

There seemed nothing in Order 62 nor in the Insolvency Act or Rules which affected the exercise of the section 51 discretion on the question of administration costs in a winding up.

Accordingly, one was left with a section 51 discretion.

The effect of section 51 was considered in *Aiden Shipping v Interbulk [1986] 1 AC 965*.

There two interconnected proceedings were before the court at the same time, A v B and B v C. A failed against B and B failed against C. It was held that A could be ordered to pay the costs of B and, by virtue of section 51, since there were features common to both proceedings, such costs could include any costs payable by B to C, despite the fact that there was no *lis* as between A and C.

If, when two interconnected actions were heard together, there was jurisdiction to order the costs of one to be paid in the other, then it seemed *a fortiori* when the parties to the two actions were same.

The section 51 discretion was wide enough to enable the court, when an administration petition and a winding up petition were heard together, to order the administration costs to be treated as costs in the winding up – at any rate where the parties appearing were the same in both petitions.

It followed that the court had jurisdiction to order costs incurred in the administration down to date of the first hearing, to be paid in the winding up together with the company's costs on the winding up petition.

The jurisdiction was exercised in favour of the company, having regard to the fact that the administration costs were incurred in good faith, reasonably and on professional advice.

The second question was whether the costs incurred by the petitioning creditor in the administration petition should be paid by Mr Goss personally.

No compelling reason was suggested to the court that would justify the making of a personal order against Mr Goss.

He and Mr Scott made desperate efforts in all good faith to save the company. They were encouraged in their belief that the company might be saved by an administration order by the advice of a responsible professional man. Having presented the administration petition, they decided not to proceed with it when they saw Mr Godden's evidence.

They did not act irresponsibly, and it would not be right to penalise Mr Goss with a personal order to pay the costs. Furthermore, any application for a personal cost order should have been made against both directors.

For Mrs Lester: Michael Gettleson (Milners, Curry & Gaskell)
For Mr Goss: Jonathan Crow (Edwin Coe & Calder Woods)

By Rachel Davies
Barrister

Company Notices

De Beers Consolidated Mines Limited
Incorporated in the Republic of South Africa
Company Registration No 11/00007/06

NOTICE TO MEMBERS

NOTICE IS HEREBY GIVEN that the one hundredth annual general meeting of members of De Beers Consolidated Mines Limited will be held at the head office of the Company at 36 Stockdale Street, Kimberley, on Monday, 23rd May 1988, at 14h15, for the following business:

— to receive and consider the annual financial statements of the Company and of the Group for the year ended 31st December 1987;

— to elect directors in accordance with the provisions of the articles of association of the Company;

— to consider and, if deemed fit, to pass, with or without modification, the following resolution as an ordinary resolution:

"That the directors be and they are hereby authorised to allot and issue, after providing for the allotment and issue of the S ordinary shares in terms of the De Beers Employee Shareholder Scheme, all or any portion of the unissued S ordinary and deferred shares of five cents each in the capital of the Company at such time or times, to such person or persons, company or companies, and upon such terms and conditions, as they may determine."

A member entitled to attend and vote at the meeting may appoint a proxy to attend, speak and vote in his stead. A proxy need not be a member of the Company. If required, forms of proxy are available from the registered and London offices of the Company.

The transfer registers and registers of members of the Company will be closed from 14th May to 23rd May 1988, both days inclusive.

Holders of deferred share warrants to bearer who desire to attend in person or by proxy or to vote at any general meeting of the Company must comply with the regulations of the Company under which share warrants to bearer are issued.

By order of the board
H.J. CRANKSHAW
Secretary

36 Stockdale Street, Kimberley
P.O. Box 616, Kimberley, 8300
18th April 1988

De Beers
De Beers Consolidated Mines Limited

Note: There are no service contracts granted by the Company, or any of its subsidiaries, to any director of the Company.

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BANK HANDLOWY W. WARSZAWIE S.A has evinced intention to redeem only the bonds held as of March 28th, 1981 by the holders "Natural Persons". The holding as of March 28th, 1981 forms the subject of an affidavit delivered to the holder by a bank or a financial institution. This affidavit will have to accompany the bonds deposited for redemption.
These bonds will be redeemable at US$ 1.000. At the offices of the following establishments:
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- BANQUE NATIONALE DE PARIS (LUXEMBOURG) S.A. - LUXEMBOURG
- BANQUE INTERNATIONALE A LUXEMBOURG - LUXEMBOURG
- CREDIT LYONNAIS - PARIS
- EUROPEAN BANKING COMPANY LIMITED - LONDRES
- FRENCH AMERICAN BANKING CORPORATION - NEW YORK
- SOCIETE GENERALE - PARIS
However, the bondholders who benefit by this redemption must deposit the securities they hold prior to May 11th, 1988 at the office of the fiscal agent i.e. BANQUE NATIONALE DE PARIS, Centre d'Operations sur Coupons, 14 rue Bergere 75009 PARIS or at the above mentioned offices of the paying agents.

BANQUE NATIONALE DE PARIS
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Registered office : 16, Boulevard des Italiens - PARIS (9ème)
Trade Register : PARIS B 662 042 449
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Notice is hereby given to the holders of floating rate notes due 1983-1991 of USD 10.000 each that they have the option to present their notes to the redemption fixed on 6 September 1988. The notes should be deposited not earlier than two months and not later than one month prior to the above date and shall be redeemed at par at the offices of the following establishments :

- BANQUE NATIONALE DE PARIS - PARIS
- BANQUE NATIONALE DE PARIS LUXEMBOURG S.A. - LUXEMBOURG
- BANQUE NATIONALE DE PARIS PLC - LONDON

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IN THE MATTER of THE INSOLVENCY ACT 1986
- and -
IN THE MATTER of NEIL AND SPENCER LIMITED
(In Receivership)

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at the Goffs Park Hotel, Goffs Park Road, Crawley, West Sussex, RH11 8AX at 11.00 am on Tuesday 3rd May 1988 for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act and, if *thought fit, appointing a committee.*
Creditors are entitled to vote if:

(a) they have delivered to us at the address shown below, no later than 12.00 pm on Friday 29th April 1988 written details of the debts they claim to be due to them from the company, and their claims have been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986: and

(b) there has been lodged with us any proxy which the creditor intends to be used on his behalf.

Date: 15 April 1988

M A JORDAN and R M ADDY
Administrative Receivers
Cork Gully
Shelley House
3 Noble Street
London
EC2V 7DQ

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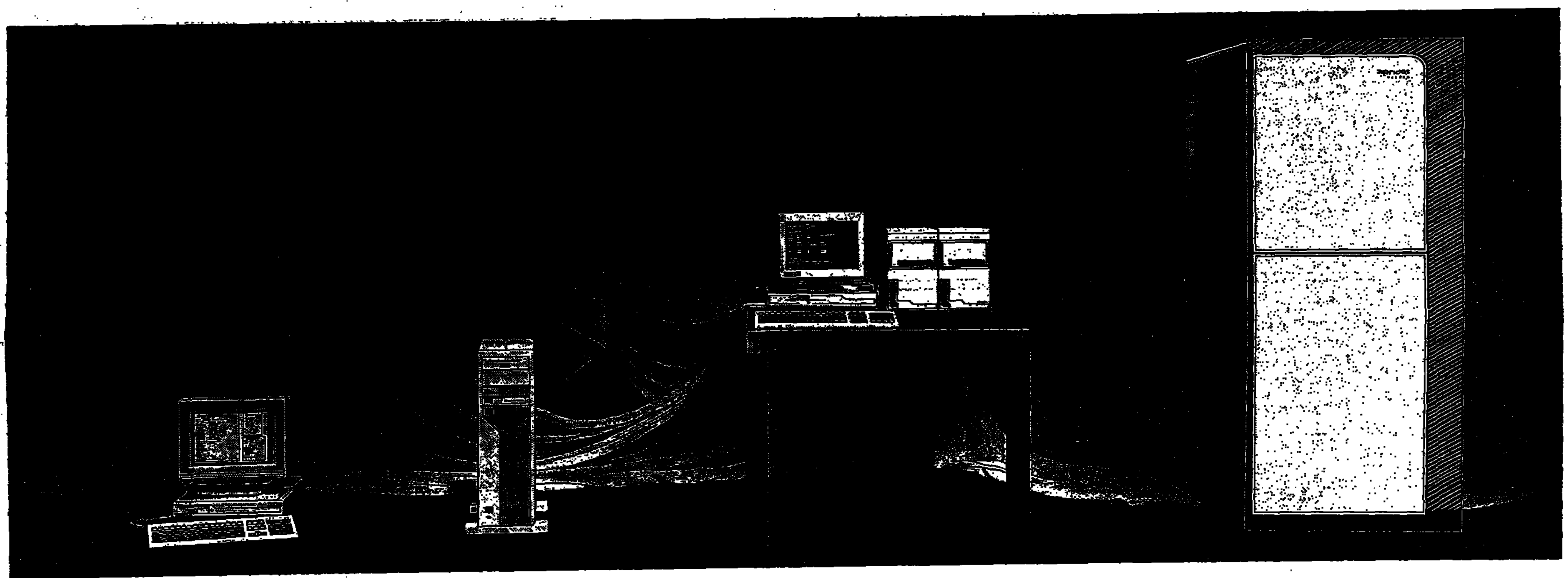

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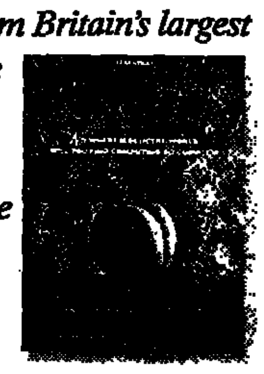

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Small business in Belgium

A climate confused by contradictions

BY CHARLES BATCHELOR

LIKE THE country itself, Belgium's small business policy suffers from a split personality – not on the lines of the linguistic divide but over whether the Belgians should protect the old-established professions and skills or whether they should encourage new forms of enterprise.

In small business terms Belgium falls midway between the conservative approach of West Germany and the British zeal for removing red tape.

On the free-market side of the debate stand academics like Professor Rik Donckels, director of Belgium's Small Business Research Institute. He is critical of the narrow horizons of many Belgian entrepreneurs and of the heavy tax burden, high social security payments and red tape which constrain them. Donckels questions whether the country's small business sector will be able to meet the challenge of a single European market.

On the other side is Jacky Buchmann, head of the improbably-named Ministry of the Middle Classes, who points to a stream of legislative changes over the past five years aimed at helping the unemployed start up their own businesses, encouraging innovative companies and establishing managed workshops.

True, Buchmann acknowledges, there are 41 occupations, ranging from demolition contractor to hairdresser, from watch repairer to restaurateur, which require a certificate of professional competence. But if this is seen as restraint on enterprise, Germany and the Netherlands have twice that number, he points out.

Even this disparity would not be maintained, though, if the National Christian Organisation for the Middle Class, the country's most powerful small lobby group, had its way. It has been lobbying government to extend the system of certification to jobs such as computer software programmers and decorators.

It is of great importance to the Belgian economy that the country gets its small firms policies right. No fewer than 98.5 per cent of all businesses, a total of just under 157,000, are categorised as small - employing fewer than 100 people. Between them they employ 46 per cent of the country's labour force. In addition, 660,000 people are self-employed.

Between 60,000 and 70,000 new ventures are started each year, though 16 per cent will go bust within 12 months, rising to 25 per cent after two years.

The type of business that is being set up, however, does not bode well for the modernisation of Belgian industry. Trading companies account for 68 per cent of start-ups while new technology-based firms represent just 0.01 per cent of new ventures, Donckels says. This compares with a figure of between 1 and 2 per cent for technology start-ups in the US and 1 per cent in Germany.

At first sight the typical business founder starts with a number of advantages. Aged under 35, the new entrepreneur will have a technical or college-level qualification and in 45 per cent of cases will come from an entrepreneurial background.

But his efforts appear doomed to remain small-scale for a long time. He usually depends on funds provided by his family to get started and the business will begin with barely adequate finances - less than BFr250,000 (£3,850) in more than four cases out of 10 and less than BFr500,000 in seven cases out of 10.

"Our entrepreneurs are doers not thinkers," says Donckels. "They are technically well qualified and they are interested in the production side of things, but their desire to do everything themselves makes it difficult for them to grow." Unlike their Dutch neighbours the Belgians have not developed the marketing skills which are essential if they are to expand beyond their small home market.

A small Belgian software company with good technical people desperately needed someone with commercial skills, recalls Paul Vets, director of ISEP, a venture capital company set up by the Belgian savings banks. "I tried – unsuccessfully – to persuade them to take on someone with commercial skills but they thought he would influence the products they made," he says.

The limited ambitions of the Belgian entrepreneur may owe something to the constraints under which he operates.

Belgium was rated as having the worst tax environment for the small firm of any of the then 10 members of the European Community in a comparative survey carried out in 1983 by the Economist Intelligence Unit. Little appears to have changed since then and continuing budget deficits promise little prospect of relief in the near future.

Small businessmen in Belgium readily trip off the numbers which illustrate the size of the tax burden. Bruce Lang, an Englishman and the founder of Lang Learning Systems, a Brussels-based designer of interactive video training programmes, reckons that on every BFr100 he pays in salaries, social security charges add a further BFr43. What the employee takes home after tax is just BFr49.

As if the high level of tax were not bad enough, companies must estimate future profit levels and pay their tax in instalments in advance. There are sizeable penalties for underestimating their tax bill but no compensating interest if they pay too much.

"Large companies are better able to forecast what their profits will be at the year end than the small company," notes Yves Souris, head of the small firms' division of the Belgian employers' organisation, the FEB. "Small companies find it harder. They might win a big contract but then forfeit the benefits because they have to pay a fine. The system should encourage companies to increase their profits, not punish them."

But tax is not the only problem the company in Belgium faces. Despite the existence of a commission to reduce red tape companies are still hamstrung by too many restrictions.

A notable bar to small company growth is the requirement that they recognise a union as soon as their payroll reaches 50 people. Many businesses reach 49 employees and then stop.

A wide-ranging programme aimed at improving conditions for business which has been drawn up by the FEB calls for the rules on union recognition to be relaxed. "We want to avoid employers having to recognise a union overnight," says Souris. "There might be an agreement to keep employees' representatives informed of a company's plans when the workforce reached 50 people. This could be the first step to full union recognition when the firm increased in size."

Another important constraint on the small firms sector, which is also recognised in the FEB programme, are the problems involved in passing on a private company to the next generation.

High rates of inheritance tax make it difficult to pass on a company, complains Souris. The employers' organisation wants a reduction in the rates of tax and the option of spreading out payments over a five year period.

Despite the criticisms which the small business sector still has, initiatives have been taken in recent years by the government, the banks and the private sector to improve conditions.

A loan scheme to encourage the unemployed to go into business for themselves provides individuals with a BFr500,000 (£7,690) loan repayable over 10 to 15 years.

Buchmann says this scheme, which has helped 10,000 people over the past four years, has been a success and has produced a lower failure rate than is usual among start-up companies. It is currently distributing BFr3bn a year and is no more expensive than paying unemployment benefit, he says.

Donckels has his reservations however. He claims the scheme is not selective enough and that the people who take up the loans are not provided with enough help.

A number of the programmes targeted at small business share the loan scheme's aim of directly creating new jobs. Companies employing fewer than 50 people are freed from tax on BFr150,000 of revenues for every additional person they employ.

One-man businesses are encouraged to take on their first two employees by a rule which means they do not have to make any social security payments for those employees for two years.

Belgium has long had a government loan guarantee scheme aimed at encouraging banks to lend to small firms but more recently it has added a participation fund. This fund is intended to put small companies on a par with their large counterparts when it comes to raising finance.

It operates by taking an equity stake or providing subordinated loans. However, the small businessman's reluctance to involve outsiders in his affairs has meant only 14 equity stakes were taken up by the fund in its first two years. Most people opted for the more expensive loans.

To increase the low numbers of new technology companies being formed, legislation passed in 1984 created the concept of the innovative company. These companies and people and organisations which invest in them are granted certain tax exemptions.

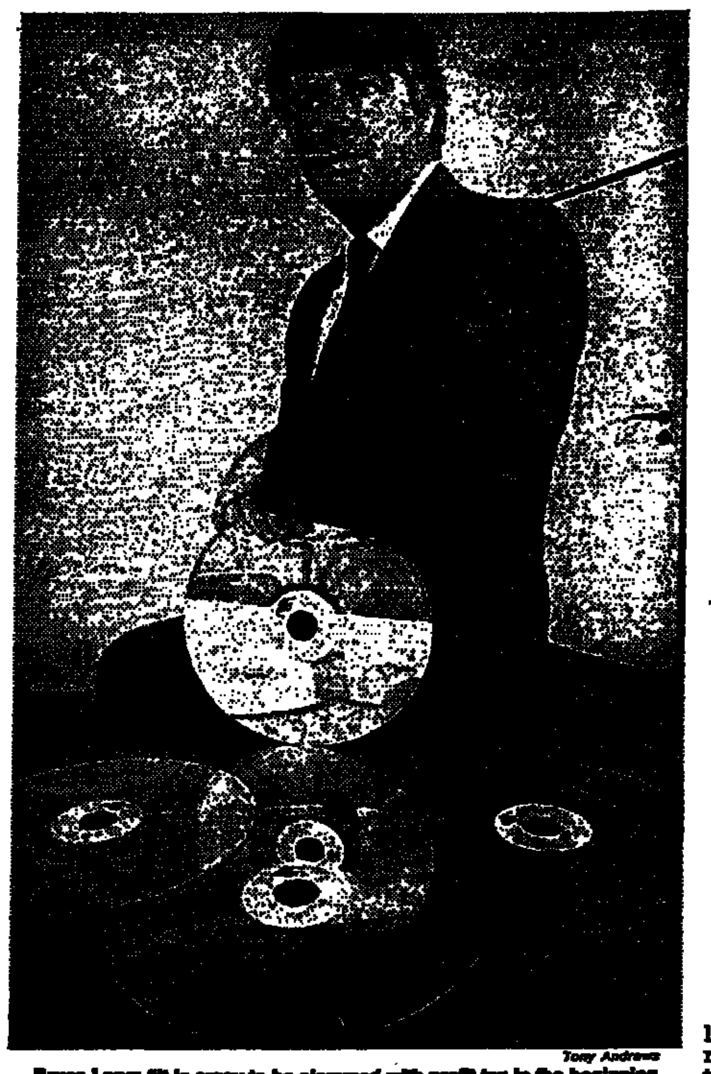
But governments throughout Europe have long been aware that advice is in many cases even more valuable to the small company than finance. Belgium has developed a number of programmes to provide training and support for the smaller company.

The country now has a network of 22 local training centres which provide technical and business training mainly to young people. It is these centres which provide the qualifications needed to set up in one of the 41 regulated occupations.

Business incubation centres have also been established over the past five years – 13 in Flanders and two in Wallonia. They provide shared secretarial and other services to young businesses in their first few years.

Many of these measures form part of national legislation but as Belgium has decentralised government functions, implementation of many of the schemes are organised regionally. This has the advantage of bringing them closer to the businesses they are trying to help and means the regions frequently top up the national programmes with their own incentives.

The view of academics like Donckels and organisations such as the FEB is that, while much remains to be done in removing red tape, the small firms sector does not require any further special legislation. The government should aim at creating general economic conditions which favour all businesses, they say. "We don't want any new measures," says Donckels. "What we need is for the measures we have to be made more accessible."



Tony Andrews

Bruce Lang: "It is crazy to be slammed with profit tax in the beginning-when you need most help and when you have a difficult cash flow"

A taxing problem

LANG LEARNING Systems has grown rapidly since Bruce Lang decided to set it up after several years with IBM, the US computer giant. Lang, who had worked as training programme manager for IBM in Brussels, started his own business in 1984.

The company makes interactive video programmes for training and information purposes for customers such as Volvo, the European Commission and the electronic bank transfer network, SWIFT.

It made a pre-tax profit of BFr7m (£108,000) last year on sales of BFr63m. With 10 employees it has outgrown its current offices near Brussels' Zaventem airport and will shortly move to larger premises nearby.

Lang Learning will pay less than the commercial rate of interest over the first four years of the loan it has taken out to buy its new offices thanks to a government programme. But other aspects of doing business in Belgium leave Lang less happy.

He is critical of high levels of personal taxation and also of the requirement that companies pay corporation tax on the basis of forecast profits.

"Within three months of starting you receive a demand for tax on profits you haven't made," he says. "It is crazy to be slammed with profit tax in the beginning when you need most help and when you have a difficult cash flow."

Equally frustrating is the slowness with which VAT officials handle repayments due to Lang Learning on the 50 per cent of sales it makes outside Belgium. The company does not recover the VAT it pays its suppliers from its own customers but from the government.

"There is no specified time for making repayments though it currently takes four months," says Lang. "The amount outstanding has reached BFr4m, a significant sum for a company our size. We have had to dip into our credit lines and pay interest charges because of the delays."

Lang Learning's experience in raising capital locally has been happier. Bruce Lang says he was impressed with the speed with which his bank responded to a loan request. He puts this down to increased competition between the banks for commercial clients. "They came up with BFr12m in five days," he says.

He also found it relatively easy to raise venture capital funds. ISEP, a venture capital group set up by the Belgian savings banks, provided BFr2.6m in return for a 40 per cent stake in the equity.

So VAT's that

BY RICHARD WATERS

READERS may recall (January 26) the difficulties experienced by David Franklin Ltd, a small import-export company, in extracting a VAT repayment penalty from Customs & Excise.

The company waited for more than 30 days last summer for a VAT repayment of £14,119.40. According to a VAT explanatory leaflet, this meant that it was due a penalty of 5 per cent of the amount due – or £705.97.

Customs did not pay up; it argued that section 20 of the 1985 Finance Act said that payment had to be *approved* within 30 days, not actually *effected*. Franklin's payment had been approved in time, even though it claimed it didn't get the money for 33 days, so tough luck.

Small business minister, John Cope, has now written to the Association of Independent Businesses about the matter. Customs & Excise offered its apologies that the VAT leaflet differed from the letter of the law, he said. But the law stands, so Franklin and others in the same boat will not be getting the penalty (known officially as a repayment supplement). The offending leaflet is being withdrawn.

Companies might be tempted to retaliate by only authorising, rather then making, VAT payments within the time allowed them under the 1985 act. But they will find the law is not on their side: section 19 of the act says that payment must accompany a VAT return, which is due within 30 days.

Small employers needed in n-east

GRADUATES have traditionally looked to the larger company when considering a business career. Recent years, however, have seen the launch of a number of schemes to encourage graduates to think of working with the smaller firm.

Durham University Business School has this year begun a Graduate Associate Programme in Entrepreneurship to provide recent graduates with training in small business management.

The business school has received more than 400 replies from graduates but now faces a shortage of small companies in the north-east ready to employ them for the practical part of the diploma.

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- In Beijing the world's largest *KENTUCKY FRIED CHICKEN* takes $US18,000 in just six hours on one Sunday.
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U.S. ACQUISITIONS

All Manufacturers

	Sales in Millions
Craft/Hobby Products (25%)	$30
Fiber Optic Cable for Data Communications (30%)	7
Aircraft/Aerospace Parts of Composite Materials (15%)	20
Stainless Steel Valves (15%)	7
Electronic Burglar & Fire Alarms for Homes & Businesses (21%)	7
Construction Equipment (9%)	45
Gaskets—Aftermarket (20%)	6
Store Fixtures/Showcases (8%)	20
Toys—$2.50 avg retail (30%)	4
Automation & Robotic Systems & Custom Machinery (25%)	6
Machine Shop (10-15%)	15
Envelopes (5-10%)	10
Aircraft Support Eqpt (20%)	5
Wire Mesh Containers (15%)	7
Power Surge Suppressors (40%)	5

(% = pre-tax profit margin)

Written inquiries from principals are invited. Please enclose an annual report, balance sheet or a letter stating net worth.

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Cork Gully

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Parties must have verifiable excellent reputations and history.

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The Mahabharata/Old Transport Museum, Glasgow

Michael Coveney

Peter Brook's mesmerising production of the Indian epic poem in Sanskrit, *The Mahabharata*, has travelled far since Anthony Curtis acclaimed the Avignon Festival première in these columns in July 1985. Jean-Claude Carrière's French prose adaptation was translated into English by Brook for the world tour which started in Zurich and comes to Glasgow after visiting Los Angeles, New York, Adelaide, Perth and Copenhagen.

No account that I have read had fully prepared me for the lightness and splendour of this dynastic power struggle. Long it may be, stodgy it most certainly isn't. Sunday's first Glasgow marathon of all three plays – nine hours of performance in an old Transport Museum on the West side of the city, punctuated by two hefty intervals – was greeted with a tumultuous standing ovation the like of which I have not witnessed before in a British theatre. And this was the point. We were not really in a British theatre.

The world shrinks to a microcosm in the Glasgow museum, a magnificent steel-girdered Victorian shed, under threat of demolition, that has been bricked-up, sand-blasted and generally smeared with a reddish earthy patina of cyclic experience. Adventures of death, wars, marriages and travel explode in a colourful Homeric kaleidoscope of action at the bidding of the poet narrator, Vyasa (Robert Langdon Lloyd), who is instructing a young child.

The use of participatory third person narrative is similar to the style of the RSC's *Nicholas Nickleby*. But while the fate of individual characters does indeed concern us, the scope of the event is the entire history of mankind. It is this mixture of local incident and vast consequences that gives *The Mahabharata* its special theatrical resonance.

The warring tribes of cousins, the Pandavas and the Kauravas, go in search of sacred weapons, instruments of obliteration in ages both religious and nuclear. India has both *The Mahabharata* and the bomb. The years of war leave 18 million dead. The leading protagonists proceed to Paradise, but the conflict has drained them of all feeling. The first of the five Pandavas, Yudhishthira (Andrzej Seweryn), falters on the threshold, disillusioned with the gods and cheated of tranquillity.

The brisk enunciation of the internecine rivalry is an especial pleasure of the first play, *The Game of Dice*. The Bharata dynasty is founded by a king and Ganga, the goddess of the river. The Kauravas are born a couple of generations and half an hour on as a collective boulder, beaten barbarically from the womb by an iron bar. Their father is a blind monarch played by the great Polish actor Ryszard Cieslak, formerly Grotowski's Constant Prince. Their mother lovingly affects blindness by covering her eyes.

A ceremony of flame-throwing, incense-burning vivacity is enacted under flowing red canopies, the company seeming to sway collectively like a lumbering elephant. "Give me my veil" intones the sight-denying queen (Mireille Maalouf) like a forebear of Cleopatra. Cieslak for his part invokes *Lear* and that play's persistent imagery of seeing through blindness. He demands information, searching his personal darkness with a jaw-jutting, watery-eyed blow-torch intensity.

This is just one performance that dispels for good the idea that Brook has lost interest in great acting. Another is Jeffery Kissoon's Karna, a ferocious warrior who is an unwitting destroyer of his own family. The epic nature of the material unleashes a new dimension in Brook's post-1970 work, mixing heroic gesture with the sedate, reflective purity of his Chekhov and Jarry productions. The second play, *Exile in the Forest*, provides a graphic summary of this new mood as the banished brothers extend their Utopian experiment to life in a mysterious court. The Third World chic of *Les Iks* is a far cry from the blood and thunder of this event.

There are visual similarities with *Les Iks* in Chloe Obolensky's design. As in most of Brook's Paris work, the production eddies out in concentric waves from a point at which the stone hits the water. Footholds have been stapled into the brick partition wall specially constructed for this performance, and actors take vantage points for battle just as they climbed like ants over the back wall in *Les Iks*. A river traverses the upstage area, shut off by a great looming burnished orange wall behind. A downstage pool is a location of both death and respite.

There is a renewed delight here in theatre for its own sake. The costumes are magnificent, never consciously "ethnic," beautiful in every scene, no more so than in the Arabian Nights-like episode in the foreign court where the exiled Pandavas find employment after spending twelve years in the forest.

Flame races through the dusty arena like an electric firecracker at a crucial moment of dispute. The wife of the banished Pandava brothers (she is allotted to all five of them) unravels an endless golden sari as a defence against rape. An archery lesson is a thrilling episode of mime, swishing bamboo and rapidly manipulated arrows. The master of arms, Drona (Yoshi Oida), drenches himself in his own blood on reaching the furthest fringe of his own life. A beheaded soldier stiffens to attention and pirouettes on the spot, then slumps.

The final play, *The War*, is staged with the glorious ferocity of a Kurosawa film. The musicians under the direction of the brilliant Japanese drummer Toshi Tsuchitori really come into their own here, having underpinned the evening so far with a seductive, plaintive Indian breeze of wailing conches, a grumbling didjeridu and wheezing squeeze-box.

The percussion is amazingly well integrated into a pulsating scenario of blazing torches, swirling bamboo ladders, a rising trap door to signify a chariot, two huge rolling wheels manipulated as casually as yo-yos, and long poles wielded in a final showdown between Karna and Arjuna (another very fine, emotionally complex and variegated performance by Vittorio Mezzogiorno) that is on a par with Shakespearian battle on the fields of Shrewsbury and Bosworth.

A sense of the world enacting its own story is most powerfully enforced by the internationalism of Brook's company. The British actor Bruce Myers doubles a demi-god scribe in an elephant's head with the ambiguous friend of the Pandavas, Krishna, a powerful and prodigious magician who may be a god himself. The Pandavas shared wife is played by the bewitchingly beautiful *Mallika Sarabhai*, herself Indian and brimful of grace and gravity. There is a goodly collection of robust African actors, notably Sotigui Kouyate as the ideal celibate and centenarian survivor, Bhishma.

There is sporadic talk of finding your karma, and indeed of operating one's dharma. But scant attention, I imagine, has been paid to the Hindu philosophy embodied in *The Mahabharata*, a work said to be fifteen times as long as the Bible. The crucial *Bhagavad Gita* sequence, for instance, is represented merely by an inaudible whisper.

In an introduction to the published play text (Methuen, £4.95), Brook disclaims any pretence at establishing historical or theological truth. It is dramatic truth he is after and, I suspect, something more. This is a great and unforgettable theatrical experience not least because the latest leg on Brook's journey has taken him full circle to a re-evaluation of how we might present heroic theatre.

This Glasgow presentation, one in the eye for Edinburgh and a timely cosmopolitan blow in the goolies for London, runs in this wonderful new venue in Pollockshields – the demolition order may yet be permanently deferred – until May 17.

Marathon performances are all sold out, so determined theatregoers will have to spend three days in Glasgow, no bad thing in itself. That should leave plenty of time to peruse another timely publication, a collection of Brook's essays written over the past 40 years, *The Shifting Point* (Methuen, £14.95) which complements his influential 1968 polemic, *The Empty Space*, by documenting a lifetime's dedication to not standing still in the arts. Tomorrow, in Brook's book, is another country. The quest continues.

A scene from Peter Brook mesmerising production of this Indian epic, currently in Glasgow until May 17.

London Galleries/William Packer

Experience counts

In all the worthy schemes for prizes, bursaries and like encouragements, one obvious opportunity remains conspicuous by its general neglect. Though the plight of the talented young with all the excitement of promise unfulfilled naturally commands an active sympathy, it is the promise kept and carried through with age and experience into actual achievement that is finally the more interesting and worthy of support.

At last a benevolent institution, the Pollock-Krasner Foundation which administers the estates of the American abstract expressionist painters, Jackson Pollock and his wife, Lee Krasner, has seen the gap and hopes to plug it. The Tate's recent purchase from the Foundation of three major works by Pollock supplied the moment to publicise the scheme in Europe. Artists are sought "of recognizable merit who have a current financial need, whether professional or personal, for whom a grant from the Foundation will enable the artist (sic) to pursue his career . . . There is no age or geographic limitation." Details are to be had from the Foundation at PO Box 4957, New York, NY 10185.

In London now, not the need exactly but the general case for the maturer artist is demonstrated by three painters. Two are not yet sixty, the third barely fifty, but each has been showing since the early 1960s. Each has swum in and out of the mainstream in his time, but has resisted being carried away and followed rather the necessary pace, progress and direction of his own work. None could now be considered fashionable in his work, and each would hold the thought irrelevant. All three deal in abstraction to a lesser or greater degree, yet all stay close in sympathy to the experience and sensation of landscape: for there is a sense in which all abstract painting is a kind of landscape painting, though that landscape may have no reality beyond the canvas itself, the pictorial form and space reinterpreted and occupied only as a function of the imagination.

It is a connection which John Hubbard (at Fischer Fine Art, 30 King Street, St James's SW1, until May 13 – with a smaller related show at Bernard Jacobson, 2a Cork Street W1, until May 7) has never disavowed. His work over many years was generalised and unspecific in its references, though clearly based in nature. Lately, however, the emphasis has been shifting from that associative abstraction to something but much closer to particular description. He no longer offers us the sensation of a garden, as it might be any garden, however beautiful and seductive: he takes us into what we may accept as the very place; into the conservatory and the garden; and into the courtyards of the Alhambra. As the material image has clarified, so his handling has become lighter, freer and more unself-consciously assured, the surface of the work so much less clotted and stuffy, with the larger oil studies on paper freshest of all. Air, space and light have come into the work, and brought it to life. Hubbard was always a clever and careful painter, but never has he seemed so lively and truly carefree, nor his work so at ease and natural in its authority.

At last a benevolent institution is recognising that it is the promise kept and carried through which is the more interesting achievement

John Golding (at the Mayor Rowan Gallery, 31a Bruton PLace W1, until May 12) remains very much the painter he always was. Though association and suggestion are free, his work is truly abstract in the sense that it makes no direct visual reference beyond itself. Long ago he established his imagery and the format within which it should be disposed, and has remained faithful to both. He is a most distinguished scholar of modernism who was, until lately, an influential teacher of both the history and practice of painting; andsometimes it has seemed that his work he has been constrained and led not by its inner necessities, but rather by thoughts of what the modern painting ought to be.

He is a consummate colourist and always most delicate in his handling of his materials. Fields of clean, saturated colour are laid across the surface to be pierced and activated by vertical flurries of lines and strokes, which could be rods or sticks in a thicket or nothing at all. But here too, for all such apparent consistency, there are signs of a true creative development in process, subtle and delicate but no less real for that. A new liveliness is evident in the handling of the paint and the making of the painting, a spirit of practical freshness and simplicity. Suddenly the work, though no less beautiful than before, is more open and active on the surface, the mark looser and easier, not unfinished, merely underplayed. The spirit is one of relaxation in statement and a more confident ambiguity in the imagery, which is happy to leave any further imaginative speculation to us.

The youngest of our trio is John Loker (at Angela Flowers, 11 Tottenham Mews W1, until April 23), whose work, though never abstract as such, has always related directly to the landscape in ways that have been variously simplified, schematised and thus abstracted. But in recent years the stricter modification to which the image was subject has given way again to something more open and direct. He still favours the sectioned image with its implications of time and sequence, but less often and now leaving each several image quite distinct. His images, that were derived from incidents of landscape – channels, pools or vessels of some kind – are now generalised into a cosmic symbolism of cones and spirals, vaguely sexual or ecstatic, rich and lively in the paint itself. The move from the particular to the general is already clear, and may yet tend further into an ever more abstracted symbolism. Such a direction is for Loker to choose: but whether he goes on or turns back, he is too good an artist not to carry us with him.

Patrick Gallois/Wigmore Hall

Richard Fairman

Ever since Debussy's faun made his first appearance to the sound of a sensual and langourous solo flute, the instrument has been a favourite of French composers and the inspiration of some of their finest chamber music.

Just how much of it there is was hinted at in this recital, given on Friday night by the accomplished young French flautist, Patrick Gallois. From Messiaen's birdsong to Ravel's *Sonate posthume*, a piece which leads the listener into unexpectedly lush and verdant musical pastures, each composer of note seems to have had something to add to the repertoire. The flute's special quality of sensual grace was clearly to the taste of all of them.

In this respect Gallois makes an ideal interpreter of the music. A little passing strain on the highest notes apart, the tone he produces is always elegantly slender (not full and rich in the Galway manner), the style pointed and fluent. He made the opening movement of the evergreen Poulenc Sonata wistful rather than mordent and in the central Cantilena drew a melodic line that was hauntingly cool and still: an individual touch to a work that is in every flautist's music case.

As one might expect, the Poulenc took pride of place at the end of the recital. But earlier on the Sonatine by Dutilleux had turned out to be no less delightful a discovery for anybody who did not know it already: a bubblingly vivacious piece, at once light and serious, and full of ideas which deftly make their point and then swiftly stand aside to make way for the next change of mood. Even among so much engaging music, this was a work to keep the intellect on its toes.

Indeed, the only disappointment of the evening came with the pieces by Jacques Desbrière, which were being heard in London for the first time. The *Cinq Pièces étranges* for flute and piano were entertaining enough in a light-hearted way. But the matching *Cinq Préludes intérieurs* for solo piano proved to be little more than commonplace ballad-like tunes wrapped up in misty harmonies, hardly deserving the sensitive attention that was accorded them by Elizabeth Sombart, the recital's exemplary accompanist.

Lloyd Cole and the Commotions/Wembley Arena

Claire Dalziel

It's amazing how far an impressive-sounding name can get you these days, but it takes substance to stay at the top. Lloyd Cole and the Commotions seem destined to remain the SDP of New Wave pop rock. The refreshing promise of their first album *Rattlesnakes* has matured into an innocuous mishmash of styles, heavily reminiscent of Simple Minds, Dire Straits and occasionally The Smiths.

So why do they continue to appeal? The answer must lie in the packaging. For it is Lloyd Cole's extraordinary voice which first set this band apart from a hundred other hopefuls. He has that same broken, aching quality as Morrissey, a palatable angst which sells well at the "Reluctant Yuppie" end of the market. It was certainly all Lloyd and no commotion at Wembley Arena on Sunday night. His band pumped their way adequately through a two-hour set of album material taken from *Rattlesnakes* and their latest offering *Mainstream*. Of the latter, the lyrical "From The Hip" and the lively "In My Bag" were well done. But in the end old-timers like "Perfect Skin," "On The Waterfront" and the eeri encore "Forest Fire" were left to provide welcome relief to a set of otherwise indentikit numbers. The band themselves were most noticeable for their less-than-low profile, casual menswear image. Even Blair Cowan, keyboardist and co-founder of the band with Cole in 1984, wilted into the background after a brief solo at the start of the show. He looked bored and uninterested throughout, which is perhaps because he is leaving the band this year.

All this, of course, makes the maverick Cole all the more watchable. Dressed like a slightly madcap academic in an Oxfam 1950s suit, striped red shirt and scruffy desert boots, he flaps his wrists, kinks his knees and postures his way around the stage. The look was completed when he took a pair of John Lennon spectacles from his pocket, placed them carefully on his nose, and leaned forward to peer at the front row of the audience. That was about as near as the evening came to an audience-performer frisson. Cole himself muttered the problem into his microphone: "We're not used to playing anywhere bigger than The Marquee." The classic crowd-raiser "Do You Feel Alright?" came out confusingly as "Are you really uncomfortable?" This kind of timidity may be endearing in a smaller venue, but in a wind-tunnel like Wembley Arena it takes a little more gusto to get an audience up and on their feet. Which is, after all, what most of them have paid for.

Aldeburgh Festival

The composer in residence at this year's Aldeburgh Festival (June 10-26) is the Russian Alfred Schnitte, and three of his works will be given their British premières: the Fourth Symphony, (K)ein Sommernachstraum, and Concerto Grosso No 3.

The two operas in the festival will be Benjamin Britten's *Paul Bunyan* – his first stage work, which will be recorded here for the first time – and Chaikovsky's one act opera, *Iolanta*.

Bunyan will be given by a cast of singers from Minneapolis conducted by Philip Brunelle, and *Iolanta* by the Britten-Pears School, produced by Galina Vishnevskaya.

Other highlights will be performances by pianists Andras Schiff, Alicia de Larrocha, Leon Fleisher, Peter Frankl, Tamas Vasary and Murray Perahia.

Saleroom/Antony Thorncroft

Turner record at Phillips

A watercolour by Turner of the Grand Canal in Venice, with the church of *S. Maria della Salute* prominent, sold for £440,000 at Phillips yesterday. It was a record price for a Turner watercolour, indeed for any English watercolour, and was plumb in the middle of Phillips' estimate.

Turner's Venetian watercolours were not seen publicly until after his death and have given rise to much academic controversy. This example was probably painted in 1840. There is less dispute about their genius and there was fierce bidding for this example which was eventually secured by a German industrialist bidding over the phone.

All told the auction did very well, making £784,000 with six per cent unsold. The London dealer David Carritt paid £33,000 for a scene of figures in a lane with Vesuvius gently smoking in ther background painted in 1782 by Thomas Jones, while the same sum secured a study of a man wearing armour by Burne Jones. Previously unrecorded it is a study for the "Perseus" series commissioned from the artist by Arthur Balfour for the decoration of his music room in Carlton Gardens. A moorland scene by Arthur William Hunt made £11,550 and "Hero," a portrait of the classical figure by Sandys went to Agnew for £10,450. All the top prices were around twice their estimates.

Sotheby's sale of instruments of science and technology brought in £237,880, with 20 per cent unsold. There was one major disappointment, a Dutch astronomical compendium of 1666 failed to find a buyer, but the main lot, a 1714 microscope by John Marshall went for £24,200, to the Musee d'Histoire et de Science in Geneva. Trevor Philip, the London dealer, paid £16,500 for a rare brass armillary sphere made in England around 1750.

The Clifford Papers relating to the secret Treaty of Dover, which Sotheby's sold in July 1987, are to stay in this country. An export stop was imposed on them and now the British Library has acquired them, thanks to a grant from the National Heritage Fund. All told £317,000 was raised to secure the papers, which recount how King Charles II, going behind the backs of his Ministers, negotiated with King Louis XIV of France to work for the conversion of England to Catholicism and to attack the Dutch, in return for a substantial sum of money.

There should be keen collector interest at Christie's South Kensington on May 5th when a sale devoted to movie memorabilia includes among its contents the skin tight black silk satin tasselled dress worn by Marilyn Monroe during the "Running Wild" sequence on board the train in *Some Like It Hot* (estimate up to £12,000); Fred Astaire's autographed boater from the 1944 musical Ziegfeld Follies (up to £800); and a shirt worn by John Wayne in many of his westerns, complete with bullet hole (up to £4,000). A majority of the lots come from a private film museum, Movie Memorabilia. Other outstanding items include Laurence Olivier's crown and surcoat from *Henry V* (£500) and Peter Sellers kepi and sword belt from *The Pink Panther* (£250).

Anglo/Russian joint ballet production

The Moscow Classical Ballet is to tour Britain and the US in a new production of *Swan Lake*, staged by Asaf Messerer and Marina Semyonova of the Bolshoi Ballet Theatre and designed by Britain's Tim Goodchild, who designed the Northern Ballet Theatre's Lowry ballet, *A Simple Man*.

The tour will open at the Theatre Royal Glasgow on July 9, and move to Manchester, Bristol, Southampton and London before travelling to the US.

Arts Guide

April 15-21

Opera and Ballet

LONDON

Royal Opera (Covent Garden). Peter Hall returns to Covent Garden as producer of the eagerly awaited new Salome, conducted by Christoph von Dohnanyi, with Maria Ewing in the title role, Robert Hale, Robert Tear, and Helga Dernesch. The revival of the ancient, threadbare Zeffirelli production of Lucia di Lammermoor serves for the first London showings in the title role of Edita Gruberova. John Pritchard conducts, and the cast also includes Luis Lima, Wolfgang Brendel, and Giorgio Surjan. (240 1066)

English National Opera (Coliseum). Nicholas Hytner's new production of The Magic Flute is conducted by Ivan Fischer, and has Thomas Randle, Helen Field, John Rawnsley, and Gwynne Howell in the principal roles. Also in repertory: Ian Judge's production of Cavalleria Rusticana and Pagliacci, lively, inventive, over-detailed, return with a cast including Jane Eaglen and Jacek Strauch; and Janáček's Makropoulos Case, with Josephine Barstow returning to one of her most celebrated roles as the three-centuries-old heroine. (836 3161)

Royal Opera House (Covent Garden). Royal Ballet in Swan Lake.

Northern Ballet Theatre (Sadler's Wells). A London season starts with a triple bill containing its L.S. Lowry ballet, A Simple Man. Strictly for Lowry devotees.

PARIS

Anlosia (TMP-Chatelet). After a Chekov novella, in Vladimir Vassiliev choreography, danced by Vladimir Vassiliev, Ekaterina Maximova and dancers from Moscow's Bolshoi (42 33 44 44).

Tallinn Theatre, (Salle Favart-Opéra Comique). Estonian austere Boris Godunov production with accent on the title role constitutes a counterpoint to the same opera given at the Palais Garnier in the sumptuous later version. (47 42 53 71)

Swan Lake (Palais Garnier-Paris Opéra). Rudolf Nureyev's choreography and Ezio Frigerio's decor is danced by Elisabeth Platel/Isabelle Guerin as Odette/Odile, by Charles Jude/Laurent Hilaire/Manuel Legris as Siegfried and by Rudolf Nureyev alternating with other dancers in the role of Rothbart at (47 42 53 71).

Philharmonic Orchestra from Nice (Théâtre des Champs Elysées). Siegfried. Part of the new and dramatic production by Daniel Mesguich of Der Ring des Nibelungen is performed by the and conducted by Berislav Klobucar at the (47 20 36 37).

WEST GERMANY

Berlin, Deutsche Oper. Die Zauberflöte brings Gudrun Sieber, Helen Donath, Martti Talvela and Gosta Winbergh together. Der Fliegende Holländer has fine interpretations by Ingrid Haubold, Hartmut Welker and Gerd Brenneis. Der Rosenkavalier stars Anna Tomowa-Sintow, Ute Walther and Helmut Berger-Tuna. Ariadne auf Naxos, conducted by Heinrich Hollreiser with Ute Walther, Anna Tomowa-Sintow, Carol Malone and James King. (34381).

Hamburg, Staatsoper. Don Carlos stars Natalia Troitskaya, Grace Bumbry, Giacomo Aragall and Patrick Raftery. Der Rosenkavalier has a strong cast with Judith Beckmann, Hildegard Hartwig, Hellen Kwon and Kurt Moll. Der Fliegende Holländer completes the week with Eva-Maria Bundschuh, Heinz Kruse and Harald Stamm. (35 33 51).

Frankfurt, Opera. Elektra, produced by Herbert Wernicke, will have its premiere this week. The cast includes Olivia Stapp in the title role, Anny Schlemm, Helena Doese, William Cochran and John Bröcheler. La Bohème has fine interpretations by Gyorgyi Benza, Hildegard Heichele, Jonathan Welch and William Workman. (25621).

Cologne, Opera. Rigoletto is respectable with Janice Hall, Eva Tamassy, Juan Lloveras and Wassili Janulako. Cosi Fan Tutte brings Margaret Marshall, Andrea Andonian, Teresa Ringholz and Claudio Nicolai together. Manon Lescaut, sung in Italian, has a strong cast with Barbara Daniels in the title role, Gulliano Ciannella, Alan Titus and Ulrich Hielscher. (20761).

Stuttgart, Württembergisches Staatstheater. Fidelio, in Yuri Lyubimov's production was highly acclaimed when it opened. Madame Butterfly has Awilda Verdejo, Helene Schneidermann and Carsten H. Stabell as leads. Jenufa convinces thanks to Eva Randova, Grace Hoffman and Manfred Jung, brilliant in the leading parts. Also in the repertory: Der Liebestrank and Die Entführung aus dem Serail. 20321.

Munchen, Bayerische Staatsoper. Aida stars Eva Randova, Sharon Sweet and Nicola Martinucci. Also offered John Cranko's ballet Onegin and Dornroschen, choreographed by Peter Wright. (21851).

ITALY

Milan, Teatro alla Scala. L'Elisir d'Amore in Andre Ruth Shammah's production conducted by Giuseppe Patane, with Luciana Pararotti, Maria McLaughlin, Gabriella Ferroni and Claudio Desderi. (80 91 26).

Rome, Teatro dell'Opera. Sylvano Bussotti's Fedra (designed and directed by the composer) with Halina Moretti, Eleonora Jankovic and Aurio Tomicic, conducted by Jan Latham Koenig. (46 17 55).

Turin, Teatro Regio. Low-key production of Carmen (sung in French) by cinema director Claude d'Anna, conducted by Serge Baudo. Lucia Valentina Terrani sings the title role (alternating with Helga Muller Molinari), with Veriano Luchetti (Don Jose) Mietta Sighele (Michaela) and Giorgio Zancanaro (Escamillo). (548.000).

Genoa, Teatro Margherita. Siegwulf Turek's production of Elektra conducted by Christian Thielemann, with Martha Szirmay, Janis Martin, Sabine Hass, Heribert Steinbach and Peter Winberger. (58 93 29).

NETHERLANDS

Amsterdam, Muziektheater. The Martha Graham Dance Company with Seraphic Dilogue, Circe, Heretic, Persephone (Thur).(255 455).

Arnhem, Schouwburg. Opera Forum in Mozart's La Clemenza Die Tito directed by Vittorio Patane, August Haltmayer conducting (Mon, Wed). (42 27 41).

Amsterdam, Schouwburg. The Scapino ballet company in Coppélia, with the Northern Philharmonic Orchestra under Ed Spanjaard (Mon). (24 23 11).

NEW YORK

American Ballet Theatre (Lincoln Center Opera House). Spring season highlights include the world premier of Mark Morris's Drink to Me Only With Thine Eyes, set to Virgil Thompson's score and Santo Loquasto's set, along with the new productions of Gaîté Parisienne choreographed by Leonide Massine and Raymonda choreographed by Mikhail Baryshnikov after Pepita. (362 6000). Ends June 11.

Jennifer Muller, (Joyce). With her own company, The Works, choreographer Jennifer Muller presents four New York premieres, including City and Glass House, along with a piece by guest choreographer Lynne Taylor Corbett. (242 0800).

FINANCIAL TIMES

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Tuesday April 19 1988

Dithering over space

NO ONE could argue that Britain has rushed into its decision, announced yesterday, to join an international manned space station planned for the 1990s. The US-led venture, formally proposed four years ago, has already elicited support from other leading West European nations. Britain, however, has held off until now from giving its backing. This was a result of the strong reservations about the commercial logic and expense of large international space schemes held by Mr Kenneth Clarke, the Trade and Industry Minister, and his government colleagues.

Britain's role in the space station amounts to a commitment to provide £250m over the 10-year lifetime of the programme, about the same level of contribution as Belgium and Spain. The UK funding will be significantly less than that of West Germany, Italy and France, which are spending on the venture respectively seven, five and three times more than Britain. All this cash is being spent as part of Western Europe's planned outlay of £2.8bn on Columbus, a laboratory and other space equipment that is to fit into the central US core of the space station. The total cost of the complete space-station venture is estimated at about £11bn, although this figure could well treble by the time the programme finishes.

Most of the UK's cash will be spent on a relatively small part of Columbus, a satellite called the polar platform which will take pictures of the Earth using a variety of sensors. These pictures could be commercially useful, for instance in indicating to farmers crop growth or pinpointing mineral deposits for oil companies. Britain appears to have been convinced that the potential pay-off from backing this area of technology is worth the by no means excessive costs.

Most important question

The most important question, in the light of yesterday's announcement, is why Britain has taken so long to put this relatively meagre amount of cash on the table. The country identified the polar platform three years ago as a commercially fruitful part of Columbus. It informed its West European partners it wanted to play the lead role in the platform. Then came a turnround in space policy, ushered in by Mr Clarke, when Britain decided it was not interested. Mr Clarke went on to raise doubts about the whole idea of European space collaboration, referring to pan-European space schemes as expensive frolics. The latest act in this drama is Mr Clarke's new decision that Columbus and the polar platform are not so bad after all.

While this double U-turn has been taking place, Britain's European partners have been mystified as to what the country really wants to achieve from the fairly modest sums of money, of about £120m a year, that it spends on space. The result in practical terms of the dithering is that Britain's voice in space programmes within Europe will not count for much for the foreseeable future. The other countries will have doubts about whether the UK can be relied upon.

Overlapping scheme

This point is reinforced by the decision, also announced yesterday, not to proceed with the planned UK involvement with Canada's Radarsat remote-sensing programme. This is a scheme to produce another earth-observation satellite for the 1990s. To some degree it overlaps with Columbus. Until a few weeks ago, Canada had been confident that Britain would participate in the programme, on which the two countries have been working since 1982.

Collaborative ventures in space are expensive as well as glamorous and the British Government is right to ask searching questions about objectives and value for money. Clear distinctions also need to be made between the pursuit of scientific knowledge – where space exploration has to compete against other lines of research, since the UK cannot afford to do everything – and "infant industry" support, where an injection of public funds can help to speed the transition to full commercialisation by the private sector. The recent hesitations over space policy suggest that the mechanisms for making these choices are faulty.

Denmark's threat to Nato

SINCE 1982 the Danish Folketing (parliament) has had not one but two majorities: one siding with the non-socialist coalition Government for economic policy, and a second, left-centre majority against the Government on defence and foreign policy. This has offered an irresistible temptation to the largest opposition party, the Social Democrats, to play politics with foreign policy issues in the hope of tripping up Prime Minister Poul Schlüter's Government – Denmark's allies being expected to understand that such political games are purely for domestic consumption.

But Mr Svend Auken, since autumn the leader of the Social Democrats, has now pushed the party's luck to a point at which Denmark's membership of Nato is at risk. Together with two left-wing parties, both opposed to Denmark's membership of Nato, and a centre party, the Radical Liberals, which has a long pacifist tradition, Mr Auken last Thursday secured a majority for a resolution calling on the Government to inform visiting naval vessels that Denmark does not in peacetime accept nuclear weapons in its territories (which include the Faroe Islands and Greenland).

As such, this has been Denmark's policy since 1956, but successive governments have avoided a conflict over visiting naval vessels by stating that they "assume" visiting vessels respect Danish policy.

Mr Auken's own party continues to insist that it is a loyal supporter of Nato, but in contacts with British and US diplomats Mr Auken was informed that the policy prescribed by Thursday's resolution would be unacceptable, since it conflicted with the longstanding Anglo-American principle of not revealing which warships do or do not carry nuclear weapons.

Baltic entrance

Although the Folketing resolution stops short of calling for guarantees from visiting naval vessels, as New Zealand did two years ago, the implications of the resolution are just as serious for Denmark and more serious for Nato than New Zealand's stance. Denmark's geographical position, guarding the entrance to the Baltic, makes it far more important to western defence than New Zealand.

The first apparent consequence of the resolution, if it is implemented, is that naval vessels from the US and the UK will not visit Danish ports. If allied ships cannot enter Danish ports, allied reinforcements will not be able to come to Denmark's assistance, and in this case there would be little meaning in Denmark's continued membership of Nato, or at any rate of its military structure.

Mr Auken has also put the Norwegian Labour Government on the spot, as the Danish step will encourage the restive neutralists in Prime Minister Gro Harlem Brundtland's party to call for the adoption by Norway of the Danish formula. The Norwegian Defence Minister, who visited Denmark recently, specifically urged the Danish Social Democrats not to make this move.

Parallel situation

Mr Schlüter was faced with a parallel situation in 1986, when the Social Democrats, although ostensibly a pro-European Community party, mobilised the left-centre majority to block approval of the Single European Act. On that occasion Mr Schlüter called their bluff by submitting the issue to a referendum, which he won. Within the next few days, Mr Schlüter will tell the Folketing what conclusions he has drawn from the Government's defeat on Thursday and from his consultations with the Nato allies. It is expected that he will call a general election for mid-May, giving the voters an opportunity to choose between his own firm pro-Nato policies and the neo-neutralist position into which the Social Democrats, who took Denmark into Nato in 1949, have drifted.

But although according to opinion polls Nato membership enjoys strong support, in a general election some, perhaps many, voters would give priority to other issues. A new referendum would give a clearer answer, and Mr Schlüter would be better advised to repeat his stratagem of two years ago.

Alice Rawsthorn examines challenges facing UK furniture makers as they emerge from years of recession

Awakening may be rude for some

WITHIN a week the builders will move out and Hillsdown Holdings will move into its new furniture factory in Scunthorpe, Humberside. Meanwhile, Spring Ram has just started work at its new kitchen plant in the same town.

Such a picture is far from typical of British furniture manufacturers as a whole. While Hillsdown and Spring Ram race to respond to the buoyant level of demand for furniture in Britain, the tiny enterprises which make up the bulk of the industry are struggling to stay in business.

As Hillsdown and Spring Ram have discovered, the market's buoyancy has created an unprecedented opportunity for British furniture makers. But if the industry as a whole is to exploit that opportunity, it must overcome the structural problems which have dogged it for decades.

Furniture, like so many other areas of manufacturing industry, suffered in the early 1980s from the parallel problems of a slump in consumer spending and a surge in imports. Hundreds of furniture manufacturers folded in the earlier part of the decade and thousands of jobs were lost. The smaller companies bore the brunt of the recession, but few of the larger concerns emerged unscathed. Christie Tyler, now owned by Hillsdown, and Gomme, then the owner of G-Plan, lurched into losses. Hygena, since rescued, went into receivership.

The slump in consumer spending is easily explained; an expensive purchase like a three-piece suite is one of the easiest to postpone when economic confidence ebbs. But the surge in imports is more difficult to explain.

In theory British manufacturers should not be troubled by imports of furniture, which is big, bulky and expensive to transport: especially as the levels of skill and automation involved in the production process are relatively low.

Nevertheless the rate of import growth accelerated in the late 1970s until, in 1979, the value of imports matched that of exports for the first time. The reason was that the British industry – still a "cottage industry" of family concerns – failed to respond to the emergence of the giant multiple groups as the dominant force in furniture retailing.

The manufacturing industry was structured to supply the small, independent retailers which have been supplanted in the high street by the multiples. To businesses like Harris Queensway, MFI and Habitat the quality of British furniture was poor, delivery too slow and design deplorable.

From the 1970s onwards, the multiples turned to overseas suppliers. Thus British manufacturers ceded the most fertile area of the furniture market to their foreign competitors, compounding the problems posed by the early-1980s drop in consumer spending.

Now the days of cuts and closures are over. The furniture industry is composed of about 3,000 businesses employing 80,000 people. The companies range from Christie Tyler, with a workforce of more than 4,000 in huge production plants, to small sweatshops in the inner cities. The industry is still "cottage" in character. Some companies are composed of one enterprising individual; most manufacturers employ no more than 20 people.

The furniture makers emerged from the recession to find a fertile marketplace. Consumer spending on furniture is still comparatively low – the average household spends twice as much on cigarettes – but the level has risen rapidly in the past year or so.

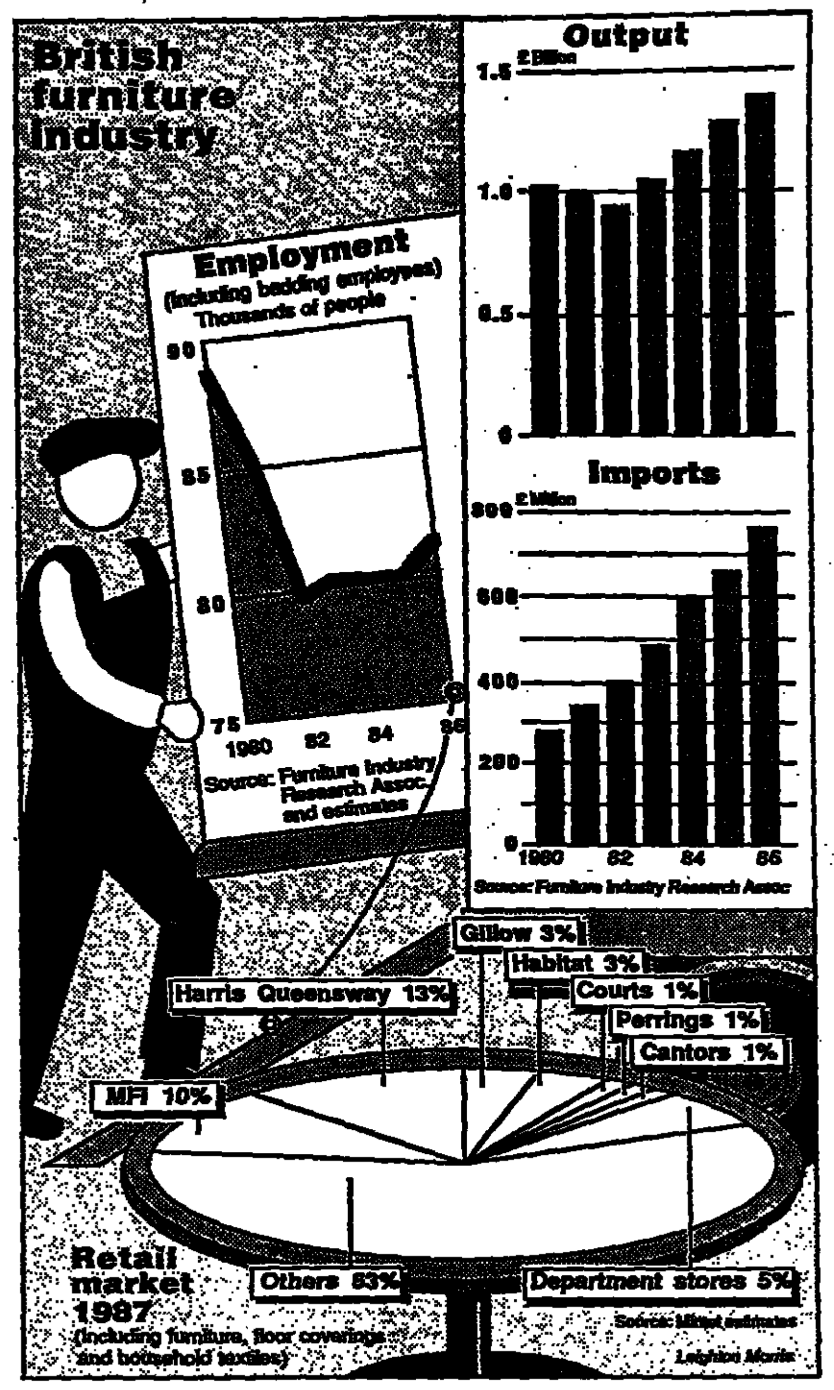
Moreover, many of the multiple groups are buying more British

UK furniture-making was structured to supply small, independent retailers, since supplanted in the high street by the multiples. To the newcomers the quality was poor, delivery slow and design deplorable.

goods. Ten years ago MFI sourced only 25 per cent of its furniture in Britain; today that proportion has risen to 80 per cent. Harris Queensway has also increased its input from domestic manufacturers. At the upper end of the market, the Conran Shop – the Storehouse subsidiary which specialises in contemporary design – buys more furniture from Britain.

Mr Roger Pedder, chief executive of Harris Queensway, says the "quality and efficiency" of British manufacturers has improved dramatically. Mr Craig Allen, the Conran Shop's furniture buyer, says British companies have become much more aware of the importance of good design.

Many of the successful furniture makers of recent years have been those which have built up their businesses specifically to service the multiples. Hillsdown Holdings, for example, decided to invest in furniture because of the emergence of the multiples. Mr Kevin O'Sullivan, finance director, says the group identified an opportunity to develop high volume, modern plants to service the new breed of multiple retailers.



Three years ago, Hillsdown, which already owned a few small furniture makers, expanded its interests dramatically with the acquisition of Christie Tyler, one of the largest manufacturers. It has since made further acquisitions and is now the biggest player in the industry.

So far the strategy has paid off. Hillsdown is at present expanding its furniture interests. The new development in Humberside will be a Christie Tyler plant dedicated to supplying Harris Queensway. Later this year it will open a new factory in North Wales devoted to Marks and Spencer.

Similarly, in the kitchen field, new businesses like Spring Ram and Smallbone have sprung up to service a market pioneered by the multiples, but neglected by the traditional furniture manufacturers.

Spring Ram, for example, was founded in 1979 and diversified from bathroom fittings to kitchens only seven years ago. It has since built up a business employing 1,000 people. The opening of its Scunthorpe plant will be one of the first phases of an expansion programme intended to double its workforce by 1990.

These stories of import substitution and ambitious expansion plans might suggest that the furniture industry has at last thrown off the lethargy which plagued it in the 1970s. But this would be misleading.

A glance at the import figures shows the extent of the industry's problems. Despite the fact that the multiples are sourcing more merchandise in Britain, import penetration has continued to rise. Eight years ago the industry winced when the value of imports equalled that of exports. Today imports are worth twice as much as exports. In the six years to 1986 the value of output from the British industry rose by less than a third, yet the value of imports more than doubled.

Why have so many furniture companies missed the opportunities of recent years?

One reason is the cost of new equipment to increase capacity. This problem is particularly acute in the area of cabinet making, or wooden furniture production. Mr David Freeland, director of the British Furniture Manufacturers Federation, says that, after the traumas of the recession, companies were "far too cautious" to invest in increased capacity. As a result there is now a shortage of domestic production within cabinet making and the influx of imports has accelerated.

Moreover, so much cabinet capacity was lost in the cuts and closures of the early 1980s that some has never been replaced. The fitted kitchen and bedroom sectors, for example, still suffer from a shortage of chipboard and timber doors.

There are exceptions among the traditional manufacturers. G-Plan intends to increase its cabinet capacity alone by 20 per cent within the next year. Similarly Parker Knoll envisages increasing output

Capital is less of a problem in the upholstered furniture field where the production process is more labour intensive. The low cost of entry has enabled new companies to move into upholstery in the 1980s, capacity has increased and import penetration is comparatively low.

In the short term the progress of upholstered furniture firms is inhibited by the doubts created by the Government's new regulations on furniture flammability. When the new rules are introduced next spring furniture will become safer but more expensive. However, British firms should benefit, given that many overseas manufacturers may be unable to meet the new requirements.

In the meantime, the upholstered industry is in a state of confusion and uncertainty. Some retailers report that consumers are now frightened of buying "fire-trap" furniture. Others say there has been a rush to snap up three-piece suites before prices go up.

One of the principal difficulties for the cabinet and upholstered sectors alike is the fragmented structure of the British industry. The prevalence of small companies and the tradition of family ownership has created, in the words of Mr Leo Collins, head of marketing at the Furniture Industry Research Association, "a very, very sleepy industry." For every furniture firm which lacks the funds to finance expansion, there is another which does not wish to grow beyond a certain size.

One such company is Ercol. It is a flourishing business in hand-crafted wooden furniture with a workforce of 750 at its factory in High Wycombe, Bucks, and is still in the hands of the Ercolanis, the founding family. There is scope for expansion but, according to Mr Barry Ercolani, the family is concerned that the character of the company might suffer if Ercol becomes bigger.

There are many other companies which, like Ercol, are unwilling rather than unable to expand. The experience of Marks and Spencer a few years ago, when it was preparing to enter the furniture field, is instructive. Initially the company found it difficult to persuade established manufacturers to supply its new venture. It has since built up a successful furniture business and the manufacturers which were prepared to support it have shared in that success, as the Hillsdown development in North Wales demonstrates. The rest of the industry has been left to rue the loss of yet another opportunity.

However, the overriding problem for the furniture manufacturers is that they are bedevilled by the poor productivity which haunts so much of British industry. A recent comparative study into kitchen cabinet production by the National Institute of Economic and Social Research, found that the productivity achieved by some West German manufacturers in certain areas is twice that of their British counterparts.

Perhaps the most worrying aspect of the study is that this lack of competitiveness is not restricted to the smaller, sleepier elements of the British industry. One of the manufacturers singled out for unflattering comparison with the West Germans was Spring Ram, which is generally regarded as a success, if only when compared with other British companies.

OBSERVER

New space in Europe

There seem to be two rules of thumb in commenting on Margaret Thatcher and her approach towards Europe and the wider world. One is that you attack her for demanding too much. The second is that, if she compromises, you attack her again for having backed down and given too much away.

Three recent examples come to mind. In February she accepted a settlement of the problems of financing the agricultural surpluses in the European Community that fell short of her original position. One gain for everyone was that there stopped being a crisis in the European Community.

At the Nato summit in Brussels last month there was a pretty firm statement on the need for the Atlantic Alliance to keep up its guard. The British Prime Minister was then attacked at home because the statement was not quite as hawkish as she might have liked. Again the result had been a harmonious meeting.

Yesterday the British Government announced that it would participate after all in the Columbus project of the European Space Agency, something which had seemed improbable judging by British statements over the last few months. The project provides for information via radar and satellite technology in such areas as crop developments, weather patterns, shipping movements and mineral deposits. The cost to Britain will be £250m over 10 years. The Government had said initially that that was too much and that the ESA was inefficient.

In fact, the questioning British approach has almost certainly meant that Columbus will be better managed, and an acceptable compromise has been reached. The British Government can expect little credit, however, and the fault lies partly with the Prime Minister. She has based her reputation so much on being a conviction politician that she does not know how to present the politics of compromise. Yet oddly enough, at least in foreign affairs, compromise is what she has become very good at.

Tea on the rocks

Terence Fox, chairman of Iroquois Brands of Greenwich, Connecticut, has brought part of his company's collection of antique tea caddies over for a new exhibition at Asprey, the jewellers, in New Bond Street.

The caddy, from the Malaysian word *Kati*, the 1⅓ lb measure by which tea leaves were sold, is a highly collectable item. Asprey is exhibiting one set made by Paul de Lamenie worth in the region of £200,000. It has just been sold.

Fox himself is an iced tea man: "Hot tea poured over a silver spoon on to ice cubes in a glass." They know how to make it at the Ritz, he says.

Lord Young's show

Lord Young, Britain's Trade and Industry Secretary, may be under pressure from the Treasury and the Commons Public Accounts Committee to curb his department's advertising and promotion budget. But no such niggling was allowed to spoil the multi-media extravaganza on Europe 1992 which he hosted at London's Lancaster House yesterday.

The invited audience of 140 business leaders, crammed into a room bristling with high-tech audiovisual gadgetry, sat through a 2½ hour session which included showings of four videos and a live television link-up with a doleful-looking Viscount Etienne Davignon, managing director of Belgium's Société Générale, in Brussels.

Peter Hobday, presenter of Radio 4's Today programme, was master of ceremonies and upheld the BBC's standards of probing journalism in recorded interviews with top Britons in Brussels.

"It's a French double-glazing salesman."

Fixing Sir David Hannay, UK ambassador to the European Community, with a beady eye, he asked: "Would it be an overstatement to say that the Prime Minister's role in all this has been pivotal?" When Mrs Thatcher herself swept on to the platform, a voice at the back of the room said: "Arise, Sir Peter".

It was not only the Prime Minister's speech, the 30 second ovation which followed it and the presence of three of her ministers which suggested a Tory Party conference. Stage management was well up to Central Office standards. Questions from the floor had been selected in advance and most of the panellists answering them, including Lynda Chalker, Minister of State at the Foreign Office, read their replies from prepared scripts.

It was left to Robert Maxwell, of all people, to raise the matter of Britain's intentions towards the European Monetary System. Viscount Davignon observed that, unless sterling became a full member, the chances of creating the free market in financial services which Britain wanted would be damaged. Young said simply: "We're not talking about a United States of Europe. We're talking about a trade association with some common rules."

Indian summer

"There couldn't be a better way to bring together so many ministers and senior people in such a friendly atmosphere," observed Sir David Goodall, the British High Commissioner in New Delhi, as the High Commission beat local politicians in their annual cricket match last weekend.

The Indian captain was Madhavro Scindia, Minister of State for Railways and educated at Winchester and New College, Oxford. Another Oxford man was the former Indian test cricketer Aabbas Ali Beg, who topped the scoring with 47. Lord Glenarthur, a junior minister at the British Foreign Office, was there to watch.

The UK won with 175 runs in the permitted thirty overs a side against India's 155 for 11, each team batting 12 players to accommodate all who turned up. But the victory was not due to British diplomats' sporting skills. The men of the match were two Delhi-based Indian businessmen, Ajay Malik and Sohel Chawla, permanent members of the British team, who took nine of the wickets.

It was all very good for Anglo-Indian relations, which had been going through a sticky patch.

Golden nose

The reader in Bath who wrote that he had given up his job as a maker of nose drops and gone over to producing litter pickers (Observer April 7) has had plenty of attention since. The local press and the BBC have been on his tracks.

A reader in Riyadh, however, suggests that he should have been even more enterprising, drawn on his previous experience and started a line in de luxe nose pickers. The strong implication is that there is a market in Saudi Arabia. In gold, of course.

Letters to the Editor

'In reality Italy is miles ahead...'

From Mr George Stern.

Sir, Your editorial remark about "Italy's stumbling public administration and casual provision of public services" (April 14) certainly needs heavy qualification. I have just returned from three weeks travelling about Tuscany, Liguria and Emilia-Romagna, and I can tell you that the UK is a lot closer to the third world than Italy will ever be.

I travelled on suburban trains and bus services; in Britain these charge the highest fares in the world, are filthy, and irregular - with a few King's Cross and Moorgate disasters thrown in just to keep us from getting complacent. In Italy these services are invariably clean, bright, cheerful, pleasant – and they are a third of the price.

Every city has excellent public transport and a huge traffic-free area. Every city makes the UK rubbish-strewn semi-slums look South American by comparison. Public telephones work.

On the macro-economic level, Italy's gross domestic product (GDP) per head has now exceeded the UK's - but in reality it is miles ahead, because Britain's GDP depends on oil, which is already running out, and on financial "services" which will also disappear as soon as the rest of the world decides it is sick of endless frauds and rip-offs. In manufacturing, anything you care to name Italian is ahead.

Italy's spending on health services overtook the UK's years ago. Recently, when a friend broke his thigh, he was operated on in an excellent – indeed, delightful – hospital, all absolutely *gratis*. He was pressed to stay. In the UK he would have probably ended up in a forbidding, cockroach-ridden, poor-law-style institution – and been thrown out very soon after he recovered from the anaesthetic.

Italy is the only country in northwest Europe which the UK ever had a hope of beating; France, Benelux, Germany and Scandinavia are unreachably far ahead. But what I have to report is that, "stumbling" or not, Italy is ahead, and is getting further ahead every year.

George Stern,
6 Eton Court,
Shepherds Hill, N6

The Royal Family could set an example

From Mr Nigel Widdowson.

Sir, John Lloyd accurately described (April 14) the hypocrisy of the Royal Family expressing its concern for the under-privileged and victimised sectors of our society.

Successive UK governments since the Second World War have followed a social welfare policy of redistribution of wealth through taxation. Now the present Government wishes to take away government subsidies from many worthy causes, and let private individuals and corporations take up the slack.

During this period the Royal Family has not only been the recipient of tax free government income, but its vast private investments have gone untaxed. Its members could set an example to the rest of the nation by donating an amount equal to the estimated taxation on their investments to the needy and under-privileged.

Such action would place them in a position of leadership, which they clearly believe is their right, and give them credibility in speaking out on these matters.

Nigel D. Widdowson,
11 Wellington Square, SW3

They went to school in a sieve

From Mr Mikael Grut.

Sir, Your article on French political life ("Where the élite is in charge," April 2) made me ponder over élitism in higher education.

Some French colleagues once explained to me that the function of the French education system is not only to impart knowledge, but perhaps even more to serve as a sieve of talent – somewhat like the civil service examination in ancient China.

The relatively small, not very widely known School of Mining is top, followed by (I forget the exact order) the *Polytechnique* in Paris, the School of Administration in Fontainebleau, the Forestry School in Nancy, and other *Grandes Ecoles*. Only then come the universities, and they too are ranked according to prestige.

Elitism in education - in the sense that some educational institutions have more prestige than others offering the same degrees - is particularly prevalent in France, Britain, the US, Japan, and even China; but hardly at all in other European countries or in South Africa, and perhaps not in Australia and New Zealand. I believe that it introduces too much competition in childhood, rubberstamps young people too early in life, and that the resulting educational level is no higher in the countries with pronounced educational élitism than in countries with little or no such élitism.

Mikael Grut,
4201 Cathedral Avenue NW,
Washington DC 20016, USA.

A case of cuts, not threats

From Mr Trevor Vibert.

Sir, I must take issue with Michael Coveney ("Barmy common nonsense", April 2). Greater London Arts (GLA) was not officially represented at the conference at the Institute of Contemporary Arts (ICA).

And his statement that the Almeida Theatre was "bullied with threats by GLA" is untrue. GLA is not in the business of bullying. Faced with a £600,000 cut in its Arts Council funding, GLA was forced to cut most of its clients – some of them completely.

Mr Coveney's statement that "GLA still pours over a quarter of a million pounds into the Roundhouse" is also inaccurate. Roundhouse funds are channelled through GLA from the Arts Council, earmarked specifically for this project.

In 1987-88, £300,000 was allocated for the Roundhouse in this way, a maximum of £128,000 to be spent on revenue (overheads, including salaries). To date, none of the capital and only £75,000 of the revenue funding has been released. Release of Roundhouse funds is as carefully monitored as the release of all GLA funds.

Trevor Vibert,
Director, Greater London Arts,
9 White Lion Street, N1

....and will save Europe by example

From Mr P.E. Sutton,

Sir, So the trade barriers are coming down in Europe, the Chunnel will be open – and the British will be driving on the wrong side of the road. Has anyone thought about that ridiculous state of affairs?

The matter of our road system and the direction of traffic should be given some consideration; the Chunnel will encourage more continental Europeans to bring their cars over here. Why confuse them, when European unity is the objective? In any case, motor manufacturers would, I am sure, be relieved to stop making some cars specifically for the "British market."

P.E. Sutton,
10 Oldbury Road,
Enfield, Middlesex

How much is £6000?

From Mr Oliver Smedley.

Sir, When I began saving in 1926 at the age of 15, a pound sterling was a gold sovereign. Today, a sovereign is worth about £60. The 1926 equivalent of £6,000 today would have been £100. I do not think £100, in those days, would have been looked upon as a sufficiently comfortable nest-egg to make the difference between qualifying or not qualifying for anything. If there has to be a qualifying figure today, it is not £6000.

Oliver Smedley,
President, Free Trade Liberal Party.

Seeking ways to alleviate poverty

From Mr H.I. Langford.

Sir, In his interesting article ("Simple reforms for a complex world," April 9) Michael Prowse considers ways in which inequities in the social security system could be alleviated; he says that the principal causes of poverty are inadequate pensions in old age, unemployment, and low pay.

No doubt this is so, but most pensioners have made their contributions throughout their working lives. If there is insufficient cash it is because the insurance contributions have never been properly funded, as they would have been by an insurance company, but dealt with under the archaic accounting system used by the civil service.

H.I. Langford,
Lamberts,
Colemans Hatch,
Hartfield, East Sussex

Privilege has responsibilities

From Mr Ian Tegner

Sir, Your article "To Audit or Not to Audit" (April 12) missed one element of the debate which is fundamental.

Limited liability is a legal privilege of immense value. Such privileges carry with them equivalent responsibilities. One of the most important of these is the preparation of audited accounts for the protection of creditors as well as of shareholders.

Ian Tegner,
Director, Group Finance,
Midland Bank,
Poultry, EC2

If intended for publication, letters to the Editor should include, where possible, a daytime telephone number.

Issues raised by the prospect of full EMS membership for sterling

From Mr Howard Flight.

Sir, Issues raised by the possibility of full European Monetary System (EMS) membership for sterling are now being keenly discussed (Sir Alan Walter, April 6). Those of us who believe that sterling will become a full EMS member – and, on balance, should become one – are not blind to the fact that the UK economy has grown faster than most of the rest of Europe this decade, or that over the same period the UK has so far been successful in substantially reducing the rate of inflation.

However, the UK economy had a long way to catch up on continental Europe. It still has a lot of catching up to do, against the more prosperous European economies, in terms of income per capita and output per capita in many areas of manufacturing industry. What has been achieved since 1979 would probably not have occurred had sterling been a full EMS member.

Most of Britain's trade is now with other EC countries. The UK economy needs to remain competitive with the rest of Europe, unless it is to make up for loss of competitiveness by depreciating sterling. After 1992 the UK economy will be increasingly part of the wider European economy. It will be assisted if UK inflation and, in particular, increase in UK manufacturing costs are reasonably in line with a European norm.

With the post-1992 abolition of customs and customs' records within the EC, I assume there will no longer be meaningful balance of payments figures for any individual EC member country, even to monitor the relative competitiveness of the UK and other individual EC member economies.

The crucial point is surely that, without the known certainty of relative exchange rate stability within a more economically integrated Europe, there is greater scope for the UK to revert to its old "bad habits" – in due course, of permitting wage cost push inflation. Now that the UK economy is firmly pointed in the right direction, full EMS membership offers a discipline to lock into.

While there remains the risk that the EMS will continue to be Deutsche Mark-oriented, with German economic and monetary policies dictating too slow a rate of economic growth, there is equally the prospect that the EMS – including sterling, will succeed in pushing German policies more towards a European norm.

Howard Flight,
32 St Mary at Hill, EC3

Political decision

From Mr Nick Wright.

Sir, Surely the reason we have not yet joined the EMS is a political decision, rather than economic.

Mrs Thatcher prefers the illusion of 100 per cent control of our global exchange rates rather than sharing the reality of proper control of our most important exchange rates (in terms of present and future trade).

It is no good waiting until December 31 1992 before removing this unnecessary handicap from our industry and commerce. While we continue to live in the past, our EC partners (who are looking to the future) will continue to prosper at our expense.

Nick Wright,
6 Wayne Close,
St Peters,
Broadstairs, Kent

UK contribution

From Mr David Flanagan

Sir, Sir Alan Walter concludes that nations outside the exchange rate mechanism of the European Monetary System – particularly Britain – have outperformed both their own history and nations inside the mechanism since its introduction ("Britain does best outside the EMS", April 6).

He cites various indicators of economic performance to support this, but does not address the vital issue of what would have happened if non-members of the mechanism had been members over that period.

It is quite true that – with so many nations not participating – a crawling peg system is likely to enjoy less success. The principal question seems not what Britain can get out of the EMS by joining – we should examine its performance to assess this – but how British membership can contribute to EMS strength and overall performance.

David L. Flanagan
138 Shepherds Bush Road, W6

Currency stability

From Mr W. Grey.

Sir Alan Walter (April 6) rested his "compelling argument against any pseudo fixed exchange rate system" ultimately on the claim that "such rates cannot be held either by feasible amounts of intervention or acceptable monetary and fiscal policies."

Exchange rate stability cannot, of course, be bought by intervention alone; such an approach indeed runs the risk of putting the cart before the horse, and in the end it will fail. But is there really the inconsistency Sir Alan implied between such stability on the one hand, and "acceptable" monetary and fiscal policies on the other? Can no combination of those complementary policies be devised, and be accepted as calculated, to keep the economy – and hence the exchange rate - on a stable course? By what alternative yardstick is acceptability to be defined and measured?

W. Grey,
12 Arden Road,
Finchley, N3

Further electricity price increases will surely follow flotation

From Mr R.M. Jones.

Sir, As someone who has worked within the electricity supply industry for the past 25 years I much regret the 9 per cent rise – which comes as a direct result of the proposed privatisation of electricity – currently being imposed upon our 22m customers.

The industry's record of efficiency and profitability (within the constraints of the 1957 statute) is the envy of other utilities throughout the world. Last year it made a pre-tax profit of nearly £1.9bn on historic net assets of £13.7bn, showing a "real" rate of return above inflation of nearly 10 per cent. This is more than enough to fund present debt and future capital requirements, and still provide electricity at prices about the lowest of any among the world's large industrialised nations.

Unfortunately for our customers, there are further price increases to come. It does not require a genius to work out that, for a successful flotation of a low but steady growth utility, a high yield will be required to induce potential investors to participate. (American utitities' ordinary shares currently vary from American Electric Power at 7.9 per cent to Pacific Gas and Electricity at 11.2 per cent). So, for example, if the media is correct and the projected price for the industry is about £20bn, then a 10 per cent yield – to attract initial investors – would require dividend payments of £2bn a year.

Add to the above figures corporation tax at, say, 30 per cent, and investors will appreciate that the pre-tax profit required would be of the order of £6bn – which would require an approximate 40 per cent increase to the present price of electricity. (I am discounting the cost of the break up of the Central Electricity Generating Board (CEGB), and consequent "out of merit order" running of present generating capacity against any savings made by importing coal.)

Perhaps of even greater concern is the arrogant way in which all technical arguments are ignored, and the short term monetary gain to the Chancellor is given a higher priority than UK industry's ability to compete in the increasingly competitive world markets.

The electricity supply industry is currently customer-driven; generation, transmission and distribution work minute by minute as an integrated whole to satisfy customer demand. Following privatisation, the industry will become shareholder-driven; profit-motivated for the benefit of shareholders. Customers will suffer – not only from the price increases, but also from the impact on their security of supply.

R.M. Jones
President, Electrical Power Engineers' Association,
66, Old London Road,
Badgers Mount,
Sevenoaks, Kent

FOREIGN AFFAIRS

A passport to freedom from intervention

Edward Mortimer finds that the Kuwaiti aircraft hijack marks a shift in Middle East politics

HERE IS a question which employers might like to put to candidates applying for jobs requiring specialist knowledge of the Middle East:

An aircraft on which you are travelling is hijacked by terrorists of Arab or Islamic appearance. You have in your briefcase two passports, one identifying you as Egyptian, the other as a US citizen. Which do you show the hijackers and which do you conceal?

The question was posed in real life to Mr Mohammed Ali Ramadan, a passenger on the ill-starred Kuwait Airways flight 422. He chose to show his Egyptian passport and was released before the plane left Larnaca in Cyprus, after a week in the hijackers' clutches. On previous form this was certainly the right choice to make. The US is top of the list in most Middle Eastern demonologies. In several recent hijackings, American passengers have been singled out for maltreatment and/or murder.

Whether it was the right choice we cannot know for certain, because apparently there were no other Americans on board. But it is possible that had Mr Ramadan revealed his US citizenship, he would have been released five days earlier, in Mashhad in Iran, along with the 22 British passengers.

Of course, the release of the British could have been purely a tribute to the exceptionally consistent line on hostage-taking to which the UK Government has held over the years. That line may sometimes seem like the callous pursuit of an abstract principle at the expense of individual suffering: Terry Waite and John McCarthy still languish in Lebanon while the freedom of some hostages of other nationalities has been bought. But the abstract principle in question now takes on the human flesh and bones of those 22 British passengers, safe at home with their families.

The hijackers must have known there was little chance of the British Government putting pressure on Kuwait to accede to their demands in order to get British hostages released. They also knew that if British hostages remained on board there was a real danger of an SAS unit being sent to storm the plane. Even without British hostages they displayed considerable nervousness on this score while at Larnaca, close to a British base.

With American hostages the issue would not have been quite so clear cut. The Irangate affair suggests that US hostages are a currency worth holding, but the political price paid for it could be expected to inhibit President Ronald Reagan from getting involved in a repeat performance. Besides, the US has demonstrated its willingness to retaliate militarily for terrorist attacks on its citizens. A US attempt to rescue American hostages by force could not have been ruled out.

It seems likely that the hijackers did not wish to have any Western hostages. Indeed, it is fairly clear that their strategy has been to put pressure directly on Kuwait by holding and threatening Kuwaitis, especially the three unfortunate members of the ruling family. This is a significant development in the history of Middle Eastern hijackings.

Until the late 1960s, politically motivated hijacking was unknown in the Middle East. Then it was taken up by the Popular Front for the Liberation of Palestine and subsequently imitated by other Middle Eastern groups. The targets were sometimes Israeli aircraft – but Israel's tough security measures soon made that all but impossible. Much more often they were aircraft belonging to American or West European airlines.

That choice of tactics was made by a small radical minority. But it reflected a political analysis which was shared almost unanimously throughout the region. According to this, the destinies of Middle Eastern nations are controlled not by themselves but by external "imperialist" powers. Only by engaging the attention and support of one or more of those powers can a Middle Eastern government or political movement hope to achieve its ends. If such powers appear indifferent to the sufferings and grievances of any group in the Middle East, the latter's only recourse is to inflict damage, directly on those powers' interests.

This analysis was not irrational or even wholly inaccurate in its broad premises, though it did – and does – often lead to wildly inaccurate interpretations of specific events. It has often been explained to me, for instance, that the Iranian revolution was planned by British intelligence (so that Britain could revenge itself on the US for replacing it as the dominant power in Iran after 1953), or by the US (to punish the Shah for having the temerity to raise the oil price), or by a combination of powers anxious to divide the Arabs along religious lines between Sunni and Shia and so spike the guns of Arab nationalism.

Absurd as such theories are, they spring from a political culture moulded by the reality of constant interference in and manipulation of regional politics by external powers from the early 19th century onwards. The Middle East was not as completely subjugated by European powers, nor for as long, as other regions such as India and Africa. Most of it continued to be governed, in name at least, by indigenous rulers throughout the heyday of European imperialism. But that very fact is largely responsible for the deep cynicism which still affects the attitude of so many Middle Easterners to the politics and politicians of their region.

For a century and a half, decisions taken by nominally autonomous governments were in fact dictated, or at least very heavily influenced, by ambassadors, dragomans, agents or "political residents" representing European powers, sometimes backed up by naked military force (as for instance when Sir Miles Lampson surrounded King Farouk's palace with British tanks in 1942), sometimes only by the knowledge of overwhelming force available in the background.

From the 1950s, the US gradually took over much of this European role. Its representatives may even have aggravated the phenomenon by their sincere protestations that their interest in the region was different in kind from that of the imperial powers which had preceded them. The intense marketing of the Baghdad Pact in the 1950s, the growing volume of American aid to Israel, and now also to Egypt, the close relationship with the Shah of Iran, the intervention of the US marines in Lebanon in 1958 and again in 1982, and now the intervention of the US navy to defend "neutral" shipping in the Gulf – all these, however benignly intended by their authors in Washington, have helped to undermine the credibility of such protestations within the Middle East. They reinforce the idea that the Middle Eastern show is still being run, hardly even behind the scenes, by an external "imperialist" power.

Yet autonomous forces within the region have been playing an increasingly important role. The Iranian revolution and the withdrawal of the Multinational Force from Lebanon were both real defeats for American influence, and those who inflicted them are aware of it even if others are not. The Israeli retreat from Lebanon and now the Palestinian *intifada* in the occupied territories are also eloquent demonstrations that something can be achieved by Middle Easterners taking their fate into their own hands. Some of them, at least, are gaining confidence and are no longer disposed to regard themselves as helpless pawns in the hands of great powers.

In a perverted way, the hijack of flight KU422 reflects this and suggests that Western powers have, after all, had some success in disentangling themselves from Middle Eastern politics. Various security measures have made Western airliners both more difficult and more dangerous to hijack. That is one side of the story. The other is that the hijackers, and those behind them, have realised their quarrel is indeed with Kuwait and its ruler, not with his American or British "protectors".

Luckily the Emir also understands that. His Government no doubt has something still to learn from the West about airline security techniques. But when it comes to standing firm against terrorist blackmail, quite a few Western governments could well take lessons from him.

FINANCIAL TIMES

Tuesday April 19 1988

The National Front is gaining ground in the port city of Marseilles, reports **Paul Betts**

Xenophobia wins points for Le Pen

Le Pen salutes a cheering crowd of at least 15,000 who have paid to hear him speak in Marseilles' football stadium.

"C'EST SCANDALEUX," said the young woman. Her eyes and those of all the others squeezed into the underground car park lift in the big new shopping centre in the old port of Marseilles were stinging madly. Someone had just sprayed tear gas as a bad joke or a mindless provocation.

Incidents like these are commonplace in Marseilles and go a long way to explaining why Mr Jean Marie Le Pen, leader of the extreme right-wing National Front, managed to attract between 15,000 and 20,000 people in the city's football stadium on Sunday afternoon.

The crowd, an odd mixture of elderly and middle-aged couples, shopkeepers and blue collar workers, young families as well as the traditional National Front thugs, the *cretins de base* as the French call them, had all come to relieve for a while their daily tensions and frustrations, their bitterness and anger, by cheering the reactionary theatrics and unashamed racism of Mr Le Pen.

They waved their tricolor flags and howled with delight when the stocky figure of the 60-year-old National Front leader, blond hair brushed back, appeared at one end of the stadium and strutted alone to the middle of the pitch accompanied by the deafening sound of Nabucco's *O mia patria* thumping out of a vast stereophonic system rigged up for the occasion.

After saluting the crowd with clenched fists in the air, Mr Le Pen walked up a huge stage hurriedly erected by his supporters after the previous night's football match. Before his arrival a swing band had played "In the Mood" and "Hello Dolly" as parachutists landed in the centre of the ground.

Mr Le Pen did not disappoint his fans, who had each paid FFr30 ($5.30) to see him. He told them what they had come to hear. If elected, he would bring back the death penalty. All the recent governments of France had pushed the country along the road to decline and decadence. And the cheers became even louder when he promised to return France to the French and send the immigrants packing.

This kind of talk also finds sympathetic ears among respectable bourgeois voters in Marseilles, which has become the home of one of the largest North African immigrant communities in France.

About 10 per cent of the more than 1m inhabitants of greater Marseilles are immigrants. The concentration of North Africans is even greater in the old city centre. In the Belsunce quarter by the Saint Charles railway station and the picturesque old harbour, immigrants account for 42 per cent of the population.

At any given time, there might be as many as 100,000 Arabs passing through the city. "Are you surprised that we call Marseilles the biggest casbah on the Mediterranean?" remarked a local at the National Front meeting.

Marseilles, with its noisy, passionate, complicated political life, has become a laboratory for the politics of extremes in France.

Seven years ago, the National Front was a marginal force in Marseilles and the rest of the country. Instead of Mr Le Pen commanding the football stadium, it was Mr Georges Marchais, the Communist secretary general, who staged a rally in the football ground for his 1981 presidential campaign.

Mr Marchais, whose party has always had a strong historic presence in the city, was back on the Cannebière, the avenue which leads to the old harbour, on Saturday with Mr André Lajoinie, the Communist candidate in next Sunday's presidential election.

The Communists could muster only about 5,000 people in the pouring rain to listen to their candidate. There was something hopelessly anachronistic in the speeches and the few sad balloons which were let off in the grey sky.

The National Front since 1984 has replaced the Communists as the main popular party in Marseilles. Its spectacular success boils down to the immigrant *invasion of the city centre and* the insecurity of local inhabitants.

It has eaten up votes from the Communists as well as from the right of the neo-Gaullist RPR. But it has also attracted voters away from the Socialists and the centrist UDF.

In Marseilles, Mr Le Pen hopes to win 25-30 per cent of the vote next Sunday, overtaking the Socialists and the Communists. In legislative elections two years ago, he won 22.5 per cent of the Marseilles vote and the National Front became the second party in the city after the Socialists. His dream now is to take over the town hall.

The Front has also started to gain respectability in Marseilles as in many other parts of the country. During the 1984 European election campaign, most National Front rallies ended with violent confrontations between left-wing militants and Le Pen heavies and the intervention of the paramilitary CRS police forces.

This was the case in Marseilles four years ago when the city was screeching with police sirens and thick with tear gas smoke. On Sunday, at the Stade Velodrome, there was a holiday atmosphere, with the noise of trumpets and the smoke of hot dogs. The police were barely visible.

But it is not just a popular party. It also acts as a wider protest movement, attracting disgruntled electors to its reactionary causes. Mr Le Pen has continued to gain support even after his famous blunder last autumn, when he dismissed Hitler's gas chambers as a detail of history. The last opinion polls before the first round of the election next Sunday give him 10-12 per cent of the vote.

With such a score, Mr Le Pen could play a pivotal role in these elections. His intrinsically unstable electorate, the dilemma for the traditional right of negotiating a deal with the National Front (or not), the saliency given by Mr Le Pen to the immigration issue, could all turn out to be the final arbiters between the favourite Mr François Mitterrand and his likely and increasingly close rival, Mr Jacques Chirac, in the second round of voting on May 8.

Mr Le Pen is well aware that he is commanding centre stage. In Marseilles, he proclaimed with undisguised relish that he was *le grand perturbateur*.

Consensus on education reform, Page 3

Franco-Canadian fishing dispute intensifies

BY GEORGE GRAHAM IN PARIS AND DAVID OWEN IN TORONTO

THE LONG-RUNNING fishing dispute between France and Canada has turned sour, following the arrest last week of four politicians from the French islands of St Pierre and Miquelon for fishing in Canadian territorial waters.

France recalled its ambassador to Canada, Mr Philippe Husson, for consultations, following the seizure. Canada currently has no ambassador in Paris, in the absence of any successor to Mr Lucien Bouchard, who resigned on March 31 to join Prime Minister Mr Brian Mulroney's cabinet.

The incident, coming a week before the first round of the French presidential election, has been pounced on by the leading candidates of both right and left and threatens to blow up into an unusually bitter row between two otherwise friendly nations.

Mr François Mitterrand, the French Socialist president, denounced the "extremely restrictive" and "unjust" measures of the Canadian authorities, while Mr Jacques Chirac, his Prime Minister and main right-wing rival in Sunday's presidential vote, said the episode "could only arouse the reprobation of the entire French population."

France's last remaining North American colony, an archipelago of 6,000 people just off the coast of Newfoundland, lies right in the middle of Canada's territorial waters and poses a thorny problem of fishing rights.

France claims an economic zone of 200 miles around these vestiges of its sovereignty. Canada recognises a limit of only 12 miles.

The islands' residents have been barred from their traditional fishing grounds in the Gulf of St Lawrence since last autumn when France broke off negotiations, prompting Canada to close its fishing grounds to French and St Pierre-Miquelon fishermen.

The Canadians claim that the French – both the St Pierrais themselves and the long distance trawlers which come from mainland France, especially St Malo – overfish the waters.

The French retort that their catch accounted last year for less than 5 per cent of the total in the disputed zones, and that the quotas proposed by Canada are unjustifiably low.

One of the first French territories to rally to General De Gaulle in the Second World War, St Pierre et Miquelon has remained a symbol which French politicians can ill afford to let down.

The local dignitaries, led by Mr Albert Pen, senator and mayor of St Pierre, were released on bail on Sunday evening. French officials have protested at the treatment in custody of the four, and the 17 crewmen arrested with them on the trawler Croix de Lorraine, complaining that they had their ties and shoelaces removed "like drunkards or delinquents."

"Our dignity was held up to ridicule," said the bearded Mr Pen, who has only just finished a lengthy hunger-strike in Ottawa and was clearly outraged at being fed on boiled potatoes – which along with fish-head soup forms the staple diet of the frugal Newfoundlanders.

The Canadians, in turn, have complained that their citizens have been harassed at the French borders, made to wait for up to four hours and in some cases forced to miss flights to Africa.

Meanwhile, Canada is hoping that it is only the proximity of the election which pits them against one another that has prompted Mr Chirac and Mr Mitterrand to play up the incident.

UK quits Canada's £350m space project

BY PETER MARSH IN LONDON

BRITAIN said yesterday that it had decided not to proceed with its planned £100m ($188m) contribution to a £350m Canadian-led project to develop a satellite for taking commercially useful pictures of the Earth with radar sensors.

The decision coincided with confirmation that Britain is to participate in a £2.8bn scheme to develop Columbus, Western Europe's contribution to an £11bn US-led international space station planned for the late 1990s.

The UK will contribute £250m to Columbus, most of which will be spent on Polar Platform, a special satellite to be associated with the scheme and used for Earth observation.

The decision to quit the Canadian Radarsat programme, although expected, caused annoyance *among observers of space* policy in Britain, who fear that it could mean the UK might fail to gain benefits from a promising international project.

Information from observation, or remote-sensing, satellites can be used to discover mineral deposits or follow trends in heat losses from buildings.

The announcement also disappointed the Canadian Science and Technology Ministry. It said it would have to rethink the Radarsat programme in which the US is also to be involved.

Mr Kenneth Clarke, the UK Trade and Industry Minister, said he was unwilling for Britain to proceed with a second international programme – in addition to Columbus – also involved with monitoring the Earth.

Canada's Science and Technology Ministry said yesterday it *was determined to press ahead* with Radarsat, which is due for launch in 1994.

The ministry said it would look at several options to make up for Britain's lack of involvement.

Under the planned UK participation, British Aerospace was to have provided the vehicle's main structural elements.

One option is that Canada could ask other countries to provide the structural components. Alternatively, Canada could buy them off-the-shelf from a satellite maker such as Hughes Aircraft or General Electric of the US.

Lord Shackleton, chairman of the House of Lords' science and technology committee, said the Radarsat decision was "extraordinarily unsatisfactory."

Lord Shackleton accused Mr Clarke of "flightiness" over space policy, and said the UK's with*drawal from Radarsat would* make other countries think twice about entering into joint technological projects with Britain.

Mr Geoffrey Pardoe, a UK expert on remote-sensing satellites who advised the British Government on Radarsat, said Canada had been treated discourteously.

He said Radarsat was nearer to commercial exploitation than Columbus and that UK companies would lose out through not being involved in its development.

Mr Clarke yesterday also announced the new head of the British National Space Centre, a post that has been vacant for six weeks.

He is Mr Arthur Pryor, aged 49, who is currently director of the West Midlands regional office of the Department of Trade and *Industry*.

Israeli court convicts Demjanjuk of Nazi war crimes

By Andrew Whitley in Jerusalem

A SPECIAL Israeli court yesterday found Mr John Demjanjuk, a retired US car industry worker, guilty "beyond the shadow of a doubt" of being a sadistic Nazi death camp guard known as "Ivan the Terrible."

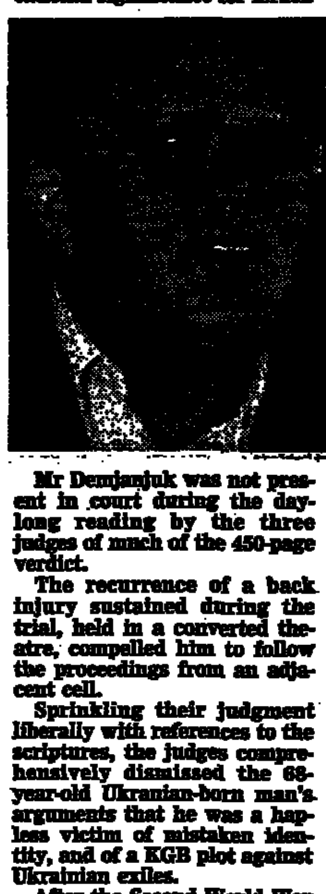
Accused of crimes against the Jewish people, crimes against humanity, war crimes and murder - through his "enthusiastic participation" in the extermination of 870,000 jews at the Treblinka camp in Poland, in 1942 and 1943 - he was convicted on all counts.

Sentencing has been set for next Monday, at which time the prosecution is expected to press for the death penalty.

The defence is then likely to exercise its right to appeal against either the verdict or the sentence, or both, delaying the final conclusion of the case which orginally began 11 years ago in the US.

The Demjanjuk case is only Israel's second war crime following the 1962 hanging of Adolph Eichmann, mastermind of the Nazi holacaust.

And the fact that it could well be its last, because of the advanced age of both the remaining death camp survivors and their tormentors, imbued the 14-month trial with deep emotional and educational significance for Israel.



Mr Demjanjuk was not present in court during the daylong reading by the three judges of much of the 450-page verdict.

The recurrence of a back injury sustained during the trial, held in a converted theatre, compelled him to follow the proceedings from an adjacent cell.

Sprinkling their judgment liberally with references to the scriptures, the judges comprehensively dismissed the 68-year-old Ukranian-born man's arguments that he was a hapless victim of mistaken identity, and of a KGB plot against Ukrainian exiles.

After the Second World War Mr Demjanjuk emigrated to the US and settled in Cleveland, from where he was extradited by Israel in 1986.

Basing much of their findings on the eyewitness identifi*cation provided* by Treblinka survivors, the judges said they found their evidence to be "credible. . . . true, frank and candid."

The court rejected defence arguments that "Ivan", who whipped, tortured and gassed Jewish prisoners, was killed in Treblinka during a prisoner uprising in August 1943. Judge Zvi Tal said: "There are no grounds to establish Ivan was killed in the uprising. These were merely rumours."

Despite the passage of 45 years, they said there was "no doubt whatsoever of the reliability of the identification as it emerges from the accumulated weight of evidence."

The trouble-plagued defence never succeeded in putting together a convincing line of argument.

The judges found Mr Demjanjuk's own confused, and often contradictory, account of his whereabouts during the critical period to be incriminating supporting evidence of *his guilt*.

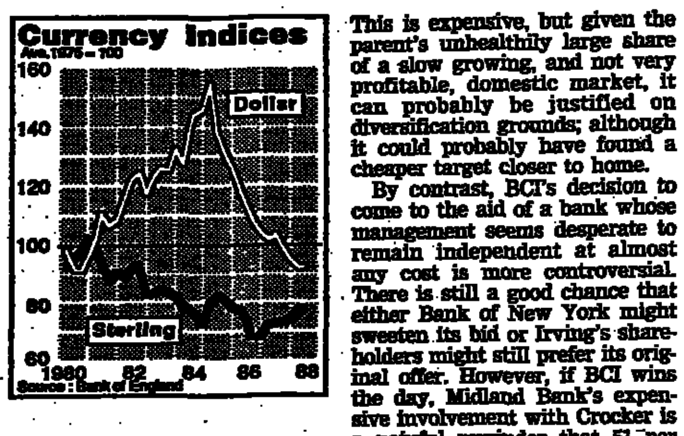
THE LEX COLUMN

Weighing equities by the pound

Sterling looks like a one-way bet at present, and little wonder. Bombs in the Gulf are bad for the market's nerves, and the dollar is not the ideal bolt-hole after last Friday's US trade figures; there is nearly a month to wait, after all, before the next set of data. It is also pretty clear that the UK authorities have little interest in defending the dollar/sterling rate in the midst of their preoccupation with the D-Mark.

In one sense, it is wise to be agnostic at present on what the official line on the D-Mark really is. It all depends on interest rate policy, which in turn depends on inflation objectives, which are delicately balanced between the Prime Minister and the Chancellor. But in presuming the next line of defence to be DM3.20, the market may have a point. The interest rate cut just after the Budget aimed to hold the rate at DM3.10, and the cut 10 days ago was in defence of DM3.15. There is a plain suggestion of planned retreat on the authorities' part; though in practice, they are probably not so unsubtle as to target a round number any more, and may aim at some arbitrary figure just short of it to keep the markets on their toes.

Yesterday's performance by the UK equity market was the more impressive, particularly given an early dip on Wall Street. But there has to be a limit to this: no industrial base can shrug off an appreciating currency for ever, except of course Japan, which doesn't count. The market's present mood notwithstanding, a $2.00 pound will start to be a problem.



Oil prices

If the response of the oil price to attacks in the Gulf provides any information at all, it is not about the effect on future oil supplies, but about how happy the market is feeling already. Yesterday's fighting – which as usual has little or no implication for oil exports from the area – prompted a 50 cent rise in the price simply because the market is oddly confident that production-cuts will be agreed at next week's Opec meeting, and is looking for excuses to buy.

In doing so, it is forgetting what has happened nearly every time the war has pushed up prices. Far from the war and the meeting constituting separate supports for the market, the first actually undermines the second. When prices rise Opec members pump more oil, so that once the bombs stop falling the market is left weaker than it was initially.

This time the incentive to increase output just before a meeting called to reduce it must be particularly powerful. And it would only take the smallest signs that Opec is misbehaving to make any potentially sympathetic non-Opec members pack up and go home. To make matters worse, the escalation in the war has both strengthened the divisions within Opec and lessened its common needs. As psychology alone has pushed prices to within an ace of the target, Opec may be tempted to leave well alone, in the vain hope that they will stay there unaided.

US bank takeovers

There is something about the US *which seems to hypnotise foreign* bankers into parting with considerable amounts of their shareholders' funds in order to realise a questionable ambition of establishing a foothold in the world's biggest banking market. There are plenty of well run European and Japanese banks which can testify to the risks involved in trying to run a profitable US bank, thousands of miles from home. Nevertheless, the list of foreign banks which want to try their luck in one of the world's more treacherous banking markets never seems to shrink. Yesterday saw two new combatants – Bank of Ireland and Banca Commerciale Italiana (BCI) – join the fray, and the best of luck to them.

The Bank of Ireland, which has been forced into having its second rights issue in less than a year, is paying more than two times book value and 15 times earnings for a relatively small regional bank in New Hampshire. This is expensive, but given the parent's unhealthily large share of a slow growing, and not very profitable, domestic market, it can probably be justified on diversification grounds; although it could probably have found a cheaper target closer to home.

By contrast, BCI's decision to come to the aid of a bank whose management seems desperate to remain independent at almost any cost is more controversial. There is still a good chance that either Bank of New York might sweeten its bid or Irving's shareholders might still prefer its original offer. However, if BCI wins the day, Midland Bank's expensive involvement with Crocker is a painful reminder that 51 per cent control of a US bank has its risks as well as its rewards.

French brokers

For some reason, the numerals 1992 seem to take on an added resonance when spoken in French. When the speaker is a French *stockbroker and the* listener a London investment bank the effect is apparently even more pronounced, so it was not surprising to hear Kleinwort Benson quoting the magic number to help explain its link up with Parisian brokersFauchier-Magnan.

Kleinwort's might also have mentioned that suitable office space in Paris is about half the cost of London, which is in turn twice the price of New York – although if space to perch on were all that mattered, Antwerp would do as well at £4 a square foot as London at £55. Telecommunications and salaries are cheaper, and the French financial authorities seem willing to extend the kind of hearty welcome to foreigners which may appear difficult to reconcile with Gallic tradition.

For American and Japanese firms – which tend to look at Europe more as a time zone than a political entity, are worried about the trend to tighter regulation of the London market, and are counting their pennies after the crash – France must be starting to look attractive. The French, for their part, are trying pretty hard to further this impression; having been beaten to the global market by the British, they see their chance to grab the increased Continental business which is supposed to be on the pan-European horizon. But this is not the first time Paris has made a pitch to become the region's financial centre, and the trick may be harder than it looks.

WORLD WEATHER

Oil price surges as Gulf erupts

Continued from Page 1

said that the US Federal Reserve had been buying dollars against sterling as the pound rose to around $1.9040. Sterling eventually closed at $1.9005; the dollar closed at DM1.6605 and at Y124.25.

Nerves in the wake of last Thursday's drop of more than 100 points on the Dow Jones industrial average kept the equity market on the defensive yesterday. The Dow closed 5.80 points lower at 2,008.12.

Bank of Ireland purchase

Continued from Page 1

go ahead even if the New Hampshire deal falls through, with the proceeds applied to general expansion of the business instead.

Second, Bank of Ireland will issue $75m of preferred stock on the US market through its investment bankers, Morgan Stanley. *The remaining finance will come* from the bank's own resources.

In yesterday's announcement, Bank of Ireland disclosed that it expected to make post-tax profits of I£65m for the year ending March 31, compared with I£51m the year before. A dividend of 11.75p is forecast.

The acquisition will raise the share of non-Irish earnings at Bank of Ireland from about 30 per cent to nearly 50 per cent. The combined group will have assets of some I£11bn compared with I£8.8bn for Bank of Ireland alone, and will be able to comply with the capital adequacy requirements of the Central Bank of Ireland.

By moving into the US market, Bank of Ireland will be leapfrogging its major rival, Allied Irish Banks, which acquired a 49 per cent stake in another US regional bank, First Maryland, five years ago.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday April 19 1988

ASSET DISPOSALS AND TAX BENEFITS PROVIDE ONE-TIME GAINS FOR US BANK GROUP

Chase doubles earnings to $277m

BY ANATOLE KALETSKY IN NEW YORK

CHASE MANHATTAN, the second largest US bank group, more than doubled its reported profits in the first quarter, although its underlying net income, excluding special items, increased by a more moderate 23 per cent.

The group's consolidated net income was $277m or $3.09 a share, compared with $104m or $1.12 in the first quarter of 1987. However, most of the improvement was due to one-time gains from asset disposals and tax benefits. As previously reported, Chase had a $61m after-tax gain from the sale of Interactive Data Corporation, a securities information subsidiary, a $59m gain from the sale of an office building in Paris and a $40m tax benefit connected with Third World loan provisions taken last year.

Excluding these special items, net income in the latest quarter would have been $116m, Chase said. In the first quarter of 1987, the bank recorded a one-time net gain of $9m on the sale of a factoring subsidiary in Belgium. As a result, its underlying net income increased to $116m from $95m, an advance of just under 23 per cent.

The 1988 results benefited from strong profits from foreign exchange and securities trading, as well as growth in fees and commissions. The growth of operating expenses also slowed to 2 per cent.

With total assets almost unchanged at $97.67bn, and common equity down to $3.457bn, from $4.319bn, Chase's ratio of common equity to assets declined to 3.54 per cent from 4.44 per cent in March, 1987. The equity ratio in December 1987 was 3.24 per cent.

Sears posts sharp fall in net income to $179m

By Deborah Hargreaves in Chicago

SEARS ROEBUCK, the US's largest retailer, reported a significant drop in first quarter income yesterday, largely due to a poor quarter in its merchandise and insurance divisions. Net income declined to $179.5m or 47 cents a share from $287.9m or 75 cents a share in the same 1987 period.

However, Mr Ed Brennan, the company's chairman, cautioned that the lower results were not an indication for the full year and that first-quarter 1987 results had been a record. Sears' revenue rose 16 per cent to $12.16bn from $10.48bn in the 1987 first quarter.

The company saw a decline in income in three of its divisions, but the Discover Card turned in a profit for the first time since its inception. Sears' merchandise group reported a profit of $18.7m against $31.3m in the same period last year.

Allstate Insurance saw income drop to $183.2m, from $246.9m in the 1987 first quarter, with results hurt by more normal winter weather after 1987's mild conditions.

Coldwell Banker reported an income decline to $7.5m from $89.3m in the 1987 period. Dean Witter Reynolds, Sears' retail brokerage concern, boosted income to $15.5m from $6.1m and Discover Card turned $25.8m loss in the first quarter of 1987 to a profit of $6.4m.

Sears, which has recently seen sales in its retail stores lag behind the industry average, has announced a three-year reorganisation of its merchandise operation that could trim up to 4,000 jobs.

The company is also trying to build a speciality store chain – an area where retail profits have been consistently high – but has not moved as quickly or as aggressively as some of its major competitors.

Apple Computer surges 135% in second quarter

BY LOUISE KEHOE IN SAN FRANCISCO

APPLE COMPUTER, the California-based personal computer manufacturer, has begun to reap the rewards of its efforts to crack open the business personal computer market dominated by IBM and IBM-compatible personal computer makers.

The company yesterday reported a dramatic rise in sales and profits for the second quarter ended April 1. Revenues grew 51 per cent, producing a 135 per cent increase in net income.

Sales for the quarter were $867.2m, up from $575.3m in the same period last year. Net income for the three months was $79.7m, more than doubling last year's equivalent figure of $33.9m. Earnings per share were 61 cents, a 135 per cent increase over the 26 cents recorded for the second quarter of 1987.

For the first half of 1988, Apple's sales totalled $1.9bn, up from $1.2bn for the same period last year. Net income rose to $201m or $1.53 a share from $92.3m or 71 cents.

"Apple is succeeding in business markets," said Mr Delbert W. Yocam, Apple's chief operating officer. "Acceptance for Macintosh products continues to increase on a worldwide basis. Our customer base is broadening to include corporate, technical and large systems users.

"Several factors contributed to our increased profitability, including an improvement in gross margins. Operating expenses also declined as a percentage of sales compared to the second quarter last year because of the strong sales momentum.

"This marks the third consecutive quarter that Apple's revenues have increased in excess of 50 per cent and our profits have grown at an even faster rate," Mr Yocam noted.

"As we enter the second half of fiscal 1988 we see the favourable demand in business markets continuing and we expect that sales in our education markets will also be strong. We are confident that Apple will continue to show good growth in both sales and profits."

HCA rises 15% as new strategy pays off

By James Buchan in New York

HOSPITAL CORPORATION of America, the big US hospital management chain, yesterday revealed the first benefits of a full-scale restructuring, with a 15 per cent rise in earnings in the first quarter of this year.

The higher earnings, which came on an 18 per cent rise in revenues, is the most solid improvement at the Nashville, Tennessee, company since the Federal Government launched an attack on spiralling hospital costs five years ago.

Some analysts are hoping that improved results from Hospital Corporation, the market leader, will signal a recovery in the industry, which has suffered low profit margins as employers and insurance companies followed Washington's lead in demanding discounts.

Mr Thomas Frist, the chairman, said results were better than expected because of the restructuring, "improved operating margins and increases in both inpatient and outpatient hospital utilisation."

Hospital Corporation – which last year shed 104 weak hospitals, shook up its management and reduced its capital employed by buying in stock – said earnings were $80.9m or $1.18 a share in the three months to March. The comparable figures for the 1987 first quarter – assuming the hospital sale and stock buyback had already been done – are $70.5m and $1.01 a share.

Revenues on a comparable basis were up 18 per cent at $1.05bn, with a 16 per cent rise at the US hospitals and 28 per cent overseas. The company's psychiatric hospitals increased revenues by 25 per cent.

Genentech advances to $15m on strong rise in Activase use

BY OUR SAN FRANCISCO CORRESPONDENT

GENENTECH, the US genetic engineering company which late last year introduced a major new drug for the treatment of heart attacks, has reported first-quarter earnings of $15.2m or 18 cents per share, up from $4.5m or 6 cents per share in the same period last year. Sales rose to $74.4m, from $38.6m.

Genentech said that its sales and earnings growth was in large part due to "strong physician support" for its new drug, called Activase, or TPA (Tissue Plasminogen Activator). "At the beginning of the quarter, approximately 1,000 patients per week were receiving Activase for the treatment of heart attacks. By the end of the quarter, that number had doubled," the company said.

Since its introduction, Activase has, however, been at the centre of a controversy in the US over the cost of treatment of heart attack victims. It costs about $2,000 a dose, far more than alternative drugs. Federal administrators of the Medicare system, which pays for medical care for the elderly and poor, said recently that they will not increase the payments they make to hospitals treating heart attack patients, despite the increased costs if Activase is administered.

Fuelling the debate, recently published studies of patients who have been treated with Activase and with alternative drugs appear to indicate that the advantages of Activase are not as clear as was previously thought.

Despite the studies, Genentech still expects major sales growth for Activase, which is the cornerstone product upon which the company aims to grow to annual sales of $1bn by the early 1990s.

NCR buoyed by overseas sales

BY RODERICK ORAM IN NEW YORK

NCR, confirming the buoyant profit trend of US computer makers, has reported a sharp increase in first-quarter profits, with strong international orders making up for a decline at home.

Net profits for the three months ended March 31 rose 20 per cent to $74.1m or 88 cents a share, from $61.5m or 65 cents a year earlier. Revenues rose 14 per cent to $1.28bn from $1.12bn.

US orders in the period fell from the "extraordinarily strong" first quarter of last year, Mr Charles Exley, the chairman, said. "International orders showed a good gain, led by the Pacific group, which had very substantial gains."

World activity was broad-based across most major product lines, with particular strength in self-service financial terminals, personal computers and NCR's Tower family of supermicrocomputers. The company said it expected further gains for the rest of the year.

Tandy, which makes personal computers and operates the Radio Shack electronics store chain in North America and Europe, reported third-quarter net profits of $64.1m or 72 cents a share, against $50.4m or 56 cents a year earlier. Revenues were $839.1m, against $776.9m.

Net profits for the nine months were $259.1m or $2.89, against $197.9m or $2.20. Sales amounted to $2.98bn, compared with $2.71bn.

The company is benefiting from strong demand for its IBM clone personal computers and the upgrading of its retail stores to a more expensive product range.

Pirelli buys Armstrong Tires

BY ALAN FRIEDMAN IN NEW YORK

PIRELLI of Italy said it had agreed to pay $190m to acquire Armstrong Tires of New Haven, Connecticut. The Milan-based tyre and cables concern, meanwhile, asked Italian and Swiss stock market authorities to suspend trading in its shares, ahead of a major group reorganisation that is to be unveiled today.

The share price of Pirelli SpA, the Italian holding company which controls part of the tyre and cable group's operations in 16 countries, yesterday soared by more than 10 per cent in heavy trading, amid rumours that a mystery buyer is building up a stake.

Pirelli insisted last night that it had no idea who was behind the share buying, which has now seen the price of Pirelli SpA stock jump by 23 per cent over the last seven days. Pirelli also said the share buying was unrelated to its reorganisation plans.

Today's reorganisation is expected finally to bring order to the Pirelli group's extremely complex structure and will probably lead to the first consolidated balance sheet in Pirelli's 115-year history. Pirelli, the fourth-biggest Italian private sector company, with $5.5bn of 1987 revenues, has been repeatedly criticised by bankers and analysts for its lack of a consolidated balance sheet.

At present the family of Mr Leopoldo Pirelli, the chairman, owns just 5.3 per cent of Pirelli and Company, a Milan-based holding vehicle which in turn owns 18.82 per cent of Pirelli SpA and around 18 per cent of Société Internationale Pirelli (SIP) SA, a Basle-based company. These two in turn each control 37 per cent of world operations. A third holding vehicle, the Swiss-based Pirelli Société Générale SA, is controlled jointly by Pirelli SpA and SIP and in turn has 18 per cent of world operations. The final 8 per cent of world activities is owned by local partners in different countries.

The purchase of Armstrong Tire, which employs a workforce of 3,000 at three US plants and had $400m of 1987 revenues, comes a month after Pirelli failed with its $1.9bn takeover bid for Firestone of the US.

Motorola enters expanding Risc market

BY TERRY DODSWORTH, INDUSTRIAL EDITOR, IN LONDON

MOTOROLA, the US's largest semiconductor manufacturer, made its long-expected entry into the rapidly expanding field of reduced instruction microprocessors yesterday, with products aimed at a broad range of medium-sized computers.

The announcement comes after two years of design and development work on the reduced instruction set computing (Risc) chips at the company's facility in Austin, Texas. It follows a spate of US launches of new Risc chips, and will lend increased credibility to the technology because of Motorola's size and reputation in the microprocessor business.

Risc chips are designed to maximise the speed at which microprocessors work by dramatically reducing the number of instructions they have to handle. This is achieved principally by concentrating on simple commands for the habitual commands which make up 80 per cent of the instructions going through the processing system.

The application of the concept was pioneered in mid-range computers by Hewlett-Packard, which invested heavily in Risc in the early 1980s.

Enichem and Montedison to open talks

BY JOHN WYLES IN ROME

ENICHEM, the Italian publicly owned chemicals manufacturer, and Montedison are to start detailed negotiations on merging their basic chemicals operations on the basis of a proposal from the state company.

A statement to this effect issued yesterday marks an important stage in a long-running and hitherto frustrated attempt to form an Italian "chemical hub" around the two companies' interests.

Previous talks foundered on the issues of ownership and control. But the new attempt has been given impetus by the desire of Mr Raul Gardini, chairman of the Ferruzzi group which controls Montedison, to restructure the chemicals, pharmaceuticals and energy company and to reduce its $6.33bn debt.

Yesterday's statement said that Mr Lorenzo Necci, the Enichem president, had sent a proposal for merging Enichem's chemical activities with some of Montedison's to Eni, the state energy holding group, and to Ferruzzi.

Mr Gardini had welcomed the strategic basis of the proposal and had asked Mr Alexander Giacco, Montedison's new vice-president and managing director, to examine the proposal to see whether it provided the basis for agreeing on a letter of intent.

Neither company would elaborate on the statement, nor confirm that the sectors to be involved in any merger remained petrochemicals, fertilisers and pesticides, fibres and rubbers.

AT&T chief James Olson dies aged 62

By Our New York Staff

MR JAMES OLSON, under whose leadership American Telephone and Telegraph was beginning to benefit from the deregulation of the US telephone system, died yesterday after a short illness.

As chairman and chief executive since September, 1986, Mr Olson, 62, was widely credited for pushing through wrenching changes to enable the company to succeed in the competitive environment.

Mr Olsen began working for AT&T's Northwestern Bell Telephone Company in his home state of North Dakota 43 years ago. He worked his way up through AT&T, arriving at its New York headquarters in 1977. A vice chairman since 1979, he became president and chief operating officer in June, 1985. He made an immediate mark when he became chairman in 1986, announcing redundancies and a $3.2bn write-off for the year.

Mr Robert Allen, AT&T's president, will run the company until a new chairman is elected.

Kraft remains optimistic despite decline to $118m

BY OUR FINANCIAL STAFF

KRAFT, the big US processed foods group, reported lower first-quarter profits yesterday but said it still expected to have a very good year and was generally on track with its corporate plan.

First-quarter earnings were $118.3m or 90 cents a share compared with $151.6m or $1.11 a year earlier, when there was a gain of $45.2m or 33 cents from a change in accounting.

Kraft said the latest results benefited from a lower tax rate, productivity improvements and fewer shares outstanding.

The food service business turned in a particularly strong result, while US consumer food operating profits in the first quarter were up 2 per cent to $166.2m and sales advanced 9 per cent to $1.2bn, Kraft said.

Refrigerated products, representing Kraft's domestic cheese business, reported profit and sales gains on increased tonnage, higher prices and lower raw material costs.

Grocery products tonnage and sales were unchanged from a year ago levels. Profit declined due to continuing competitive pressures in major product categories which narrowed operating margins.

Kraft's frozen foods operations recorded higher tonnage and sales on exceptionally good gains by Lender's Bagel Bakery and the inclusion of results of All American Gourmet Co, which was acquired July 1987.

Profits from dairy operations was up sharply as tonnage and sales advanced, Kraft said. The profit rise was due to volume growth in yogurt and ice cream, higher selling prices and productivity improvements.

BF Goodrich lifted sharply by PVC demand

By Our Financial Staff

B.F. GOODRICH, the US chemicals and aerospace group which recently announced it was pulling out of tyre-making, reported first-quarter net income of $34.9m or $1.29 a share, up sharply from $3.8m or 6 cents.

Sales jumped from $485.6m to $588m. The company's largest unit, making polyvinyl chloride, posted a 126 per cent increase in operating income to $57.6m, benefiting from strong demand.

Special chemicals profits were up from $6.4m to $7.9m, while aerospace and defence edged up from $5.1m to $5.2m.

● American Cyanamid, another US chemicals group, lifted first-quarter net profits from $61.5m or 67 cents a share to $79.2m or 88 cents. Sales rose from $1.01bn to $1.15bn.

Bundesbank on-line with world network

BY HAIG SIMONIAN IN FRANKFURT

FOR YEARS West Germany has been trying to prevent the D-Mark from becoming a *de facto* international reserve currency – a task it has pursued with mixed results in view of the Bundesbank's latest annual report, published last week, which showed that D-Mark holdings now account for 14 per cent of world currency reserves.

Now the inauguration of a new private telephone network between 19 of the Western world's leading central banks, with the Bundesbank in Frankfurt as its nerve centre, has further confirmed the German central bank's standing in international monetary and financial affairs.

The new link, costing about DM4.5m ($2.7m), has taken 11 months to complete and is one of the biggest private networks in the world. The system uses leased lines to allow secure telephone communications between the US Federal Reserve and the National Bank of Canada in the West, the Bank of Japan in the East, and 16 West European central banks, with calls routed automatically through a central exchange at the Bundesbank.

Users of the private network, which was developed by Telenorma, the communications subsidiary of the German Robert Bosch group, are connected in seconds either via conventional push-button telephones or touch screens.

Conference calls between all the participating banks can also be set up instantly. "It takes just five seconds to set up a call between all 19 banks participating," says Mr Roland Knupfer of Telenorma.

Whether the new link will make joint intervention in the foreign exchange markets any easier, or day-to-day international banking supervision more efficient, remains to be seen.

Currency speculators can draw their own conclusions. Last week's flurry in the value of the dollar and the swift concerted intervention by central banks probably put the new system, only days old, to its first test.

Some central bankers may hope they can dampen currency volatility even more and make speculation harder once they master their new handbooks.

Singapore tax move under fire from unit trusts

BY ROGER MATTHEWS IN SINGAPORE

UNIT TRUST managers in Singapore are appealing to the Government to amend new tax provisions announced in last month's budget statement, or, as one manager put it yesterday, "face the slow death of the industry."

In his budget statement, Dr Richard Hu, the Minister of Finance, announced that from April 1 investment holding companies and unit trusts could elect to have their profits from dealings in shares or other marketable securities taxed according to a schedule based on the length of time they had been held.

Up to six months, the effective corporate tax rate would be 33 per cent, declining to zero for periods over 18 months.

"I think that the Government has failed to appreciate the difference between an investment trust and a unit trust," a fund manager commented yesterday. "For the investment trusts, who have been long battling for a resolution about what is taxable, this may not be a bad solution. But to lump us in with them is clearly ludicrous."

In other major financial capitals it is the individual unit trust holder who is responsible for tax liability on capital gains. Managers in Singapore stress that on occasion it is imperative for them to sell shares which had only recently been purchased - for example, as a result of redemptions or a sharp fall in the market, such as last October.

"On the basis now introduced by the Government, it would make it impossible for the unit trusts to quote accurate prices, because of the tax element," said a broker. "The industry here is still very small with less than 20 unit trusts, but I do not see how it can hope to survive under these conditions."

Dr Hu said in his budget speech that the proposals should lead to a more vibrant domestic fund management industry, adding later that unit trusts would find the measures helpful if they changed their investment strategy.

Rand gold mines in overall loss

BY OUR JOHANNESBURG CORRESPONDENT

AN UNCHANGED rand gold price and lower production pushed the four producing gold mines managed by Rand Mines into a combined overall net loss in the 1988 March quarter.

However, Mr Clive Knobbs, the chairman of the group's gold division, expects an improvement in the current quarter.

Harmony, the largest of the group's mines, cut its gold recovery grade to 2.92 grams per tonne (g/t) from 2.96 g/t in 1987's December quarter. The group loss after capital expenditure has led management not to declare a final dividend. Shortages of skilled miners resulted in a lower mill throughput but the recovery grade is expected to improve as mining is focused on recently-identified richer ore zones.

Delays in commissioning the cooling plant at the new Far East Vertical (FEV) shaft led to a reduced mill throughput at East Rand Proprietary Mines (ERPM) during the past quarter. The mine raised an additional R91.5m ($43m) via a share issue to provide sufficient funds to complete expansion and development of the FEV shaft area. The shaft's cooling plant is now in operation and the management forecasts an increase in the milling rate.

Durban Deep milled 568,000 tonnes of ore against 541,000 tonnes in the December quarter and maintained its gold recovery grade unchanged at 3.27 g/t. Nevertheless, higher working costs tipped the mine into an operating loss. The mine has soon to take a decision on expanding operations into virgin areas but is deterred by the financial problems experienced by ERPM during its expansion.

Blyvooruitzicht's recovery grade continued to fall, production fell and costs increased as operations centred increasingly on the remaining ore in the lower-grade and heavily faulted western section of the mine. In 1984 the directors estimated the ore reserves would be exhausted between 1991 and 1994.

Barbrook, which is developing a new mine in the Eastern Transvaal, has increased its underground development rate and expects to process 25,000 tonnes of ore a month in 1990.

RAND MINES QUARTERLY RESULTS

Quarter ended:	Gold output (kg) March 88	December 87	After-tax profit (Rm) March	Dec.	Earnings p/shr (cents) March	Dec.
Blyvooruitzicht	2,597	2,830	11.07	14.05	27.3	37.4
Durban Deep	1,858	1,769	(1.73)	6.72	(277.4)	(96.3)
ERPM	2,108	2,237	(18.96)	(17.56)	(314.2)	(431.3)
Harmony	6,362	6,657	1.55	14.63	(34.5)	2.5

Earnings per share calculated after capital expenditure. Figures in parentheses are negative. ERPM made after-tax losses in both quarters. December earnings have not been adjusted for the March quarter's rights issue. Durban Deep's capital spending exceeded taxed profit in both quarters, which is why its earnings per share are negative.

S African rejigs for BAT and ABB

By Jim Jones in Johannesburg

TWO MAJOR European companies, BAT Industries and the Asea Brown Boveri (ABB) group, are distancing themselves from South Africa, though not directly divesting.

BAT, the British tobacco group, is to re-acquire its Benson & Hedges and John Player Special cigarette brand trade marks from Utico, its 63.6 per cent-owned South African subsidiary. Utico will retain the right to use the trade marks in perpetuity, but in future will pay a royalty calculated at 2 per cent of cigarette turnover.

The acquisition is to be financed by the declaration of a special dividend from Utico's retained earnings. The dividend of R3.08 will be paid on Utico's ordinary shares and BAT will use R11.3m ($5.3m) of its dividend entitlement to buy the trade marks from Utico. Minority shareholders have the option of accepting the dividend or an issue of capitalisation shares.

BAT says the move is part of its worldwide policy of centralising ownership of its international trade marks. However, it does involve a partial divestment from South Africa, with BAT following other groups which have pulled out but continue to receive royalties on trade marks and know-how.

Brown Boveri, the Swiss half of the Swedish-Swiss electrical engineering group, has merged its R120m turnover South African subsidiary with Asea Electric South Africa, which is part of the Altron group and has sales of R160m. Asea, which once owned AESA, and Brown Boveri will each own 50 per cent of the merged company.

Brown Boveri says the merger is not a divestment but has been undertaken to forge an association with a local South African company.

Better recovery grades lift Golden Dumps

BY OUR JOHANNESBURG CORRESPONDENT

CONSOLIDATED Modderfontein and South Roodepoort, the two gold mines managed by the Golden Dumps group, suffered from static rand gold prices in this year's March quarter but lifted working profits by raising gold recovery grades.

Both mines are faced with additional tax liabilities following the introduction of the new Minimum Tax on Companies in the March budget. South Rood expects to pay R900,000 ($422m) in September while Cons Modder's liability is estimated at R5m.

South Rood lifted its grade to 3.36 grams per tonne (g/t) in the March quarter from the December quarter's 3.16 g/t and increased production despite a small drop in mill tonnage.

Cons Modder reversed its steady decline in recovery grades, and lifted recovery to 2.53 g/t from 2.07 g/t. It is planned to lift ore production to 100,000 tonnes per month this quarter and to raise the gold recovery grade to 3 g/t later this year.

The mine's engineer says costs will be contained by a temporary closure of one of the shafts as ore production can be maintained through the other shafts.

GOLDEN DUMPS QUARTERLIES

Quarter ended:	Gold output (kg) March 88	December 87	After-tax profit (Rm) March	Dec.	Earnings p/shr (cents) March	Dec.
Cons Modder	685	604	1.65	0.22	(32.4)	(23.3)
South Rood	385	370	2.72	2.82	(12.8)	(16.8)

Notes: Earnings are calculated after capital expenditure. Both mines' capital spending exceeded taxed profit in the March and December quarters. Figures in parentheses are negative.

Scrip issue by Sophus Berendsen

SOPHUS BERENDSEN, the Danish company which controls Rentokil, the UK company specialising in pest control, plans a one-for-five scrip issue, despite a decline in group net earnings, after tax and minority interests, from DKr146m to DKr133m ($20.8m) for 1987, Hilary Barnes reports from Copenhagen.

Sales for the year increased by 7 per cent to DKr3.3bn and Rentokil's profits were up by 27 per cent to DKr429m. However, profits from the group's Danish industrial and trading interests and financial income both declined.

●Baltica Holding, which is the parent company of Denmark's biggest insurance group, has bought Falck Rescue Corps, the Danish ambulance, vehicle rescue and fire services group, for DKr300m. The purchase will be satisfied by an issue of paper to the Falck family.

The deal is conditional on Falck not receiving a better offer from other investors before the end of May. Falck operates a national service in co-operation with municipalities.

Swiss lawyer blows wind of change

John Wicks on Tito Tettamanti's rapid rise to corporate stardom

ALTHOUGH BY nature one the most private of men, Mr Tito Tettamanti, the Lugano lawyer, has rarely been out of the headlines in the past few months.

Last October he became known as the man behind the acquisition of a substantial stake in Sulzer Brothers, Switzerland's third biggest engineering company. Last month, he unexpectedly took over control of Adolph Saurer, another big name in the country's machine building industry.

It might seem at first glance as though the Sulzer episode is closed. Two weeks ago, Mr Werner Rey's Omni Holding purchased 20 per cent of the Sulzer voting capital from a syndicate of shareholders headed by Mr Tettamanti.

The Winterthur engineering group, which last year had introduced drastic restrictions on share registration to keep the syndicate out, reached a friendly agreement with Mr Rey under which the Omni shares are to be voted in favour of the board at future general meetings.

In fact, Mr Tettamanti remains a power to be reckoned with. He still controls 10 per cent of Sulzer's registered share capital, which makes him the second biggest shareholder after Mr Rey with his 20 per cent, and ahead of Mr Jacob Schmidheiny, another industrialist, who owns about 5 per cent.

Even though he turned down a seat on the board last month, offered as part of an unsuccessful attempt by Sulzer to get him to sell part of the syndicate's stock to a group of "approved investors," he intends to remain an active shareholder.

Mr Tettamanti, a donnish 57-year-old with a deep interest in economic theory, insists he never wanted to take over Sulzer.

He did, however, feel that some things could be changed for the better in the company, the group profits of which have not yet returned to 1977 levels. Mr Tettamanti's first attempt to present his opinions was brushed off by the Sulzer board a year ago, before the acrimonious dispute about the share purchases began.

Yet he feels his efforts have not been in vain. "I believe in the power of ideas," Mr Tettamanti explains. "The management has been sensitised."

He also seems to have bargained hard in the deal with Omni: the price per share was naturally far below the pre-crash price of SFr8,500 but noticeably higher than the SFr4,900 Sulzer had offered in March. (Mr Tettamanti had bought shares at between SFr2,600 and more than SFr4,000).

With strong minded men like himself and Mr Rey among Sulzer's leading shareholders, it seems likely that strategic changes lie ahead in Winterthur. Indeed, Sulzer has long been heralding a move in this direction, particularly by advertising that it was searching for an "industrial partner."

The Saurer deal was also an important one for Mr Tettamanti. Although he disapproves of the "semantic differentiation between financiers and industrialists," the episode has given him new standing among the latter. Mr Rey, whose rise is often compared with that of Mr Tettamanti, had earlier taken the same route.

While Mr Tettamanti says he might have bought the Saurer stake even without his interest in Sulzer, there is a definite connection between the two.

The 10 per cent participation in Sulzer is, for example, intended to be passed on to a new Saurer holding company. It is not yet clear whether there could be any industrial link between Saurer and Sulzer.

On the other hand, it now looks as though Schindler, the Swiss lift and escalator specialist, will not, after all, be the industrial partner foreseen by the Sulzer board.

Tito Tettamanti: believes in power of ideas

Could Mr Tettamanti, who has important business interests in America, help Sulzer find the US partner which the company says it wants? "They haven't asked me, but I'd be more than glad," he replies.

Mr Tettamanti is also working on plans for the future of Saurer itself. Like Sulzer, Saurer's main businesses include textile machinery among its leading products.

The company, which is based in Arbon, intends to expand its industrial activities, while new operations in the services sector could also be added.

Mr Tettamanti feels strongly that Swiss companies need to start adjusting quickly to the future shape of their markets, especially in view of the single market being introduced by the European Community in 1992.

Saurer is just emerging from a phase of radical restructuring, and returned to profit only last year with modest net earnings of SFr500,000 ($365,000). For Mr Tettamanti, Saurer, like Sulzer before it, was undervalued.

Asked whether he might be prepared to act as the white knight for other companies in a similar situation, he replies: "Why not? But not without approval of the board."

A firm believer in entrepreneurial values, Mr Tettamanti also has plans for his other interests. Most of these are centred around the Fidinam group, which he founded in Lugano in 1960 and which is now one of Switzerland's leading trust companies.

The group might, he says, be expanded to include new services although he stresses it will not buy the 25 per cent stake in the voting capital of Banca della Svizzera Italiana, which owns a 34 per cent minority participation in Fidinam, from Irving Trust, of New York.

As to Fidinam's own North American activities, Mr Tettamanti says it has for the time being stopped buying real estate in view of the state of the US office property market.

He is, however, satisfied with the reorganisation of *Allegis*, the holding company for United Airlines, in which he participated as a minority shareholder through an affiliate, Coniston Partners.

"A lot has still to be done, but concentrating efforts on United Airlines will make the company more profitable," Mr Tettamanti says.

In respect of a writ issued by Gillette of the US against a number of defendants, including himself and Coniston Partners, in connection with alleged attempted takeover transactions, Mr Tettamanti shrugs the matter off as a "completely groundless manoeuvre."

Lending margins restrain BNP

BY GEORGE GRAHAM IN PARIS

BANQUE NATIONALE de Paris (BNP), the second largest French banking group, has reported a 6 per cent drop in profits last year to FFr2.84bn ($504.4m), excluding minorities.

Mr René Thomas, chairman, said that after the previous year's exceptional result, when earnings rose by 52 per cent, the group had seen tighter lending margins which were not compensated by an increased level of activity.

Overall lending margins, which had widened slightly in 1986, fell last year to 4.7 per cent on French franc loans and to 0.5 per cent on foreign currency loans.

BNP reduced its total provisioning effort by 4.2 per cent to FFr4.92bn. Bad debt and general risk provisions were reduced by 25.5 per cent, partly because of a cut in sovereign debt provisions – the bank has set aside reserves covering more than 50 per cent of its total exposure in 70 problem debtor nations – and partly because the improved financial health of most French companies led to a fall in provisions for specific customers.

Provisions on BNP's portfolio investments, however, rose to FFr884m from FFr394m in 1986, as a result of the fall in market values of bond and equity holdings after the October crash. Provisions for the cost of early retirements also more than doubled, to FFr330m.

BNP is the last of the three leading French commercial banks to report its 1987 results, and the first of the three to announce a decline in earnings.

Unlike its two competitors, Société Générale and Credit Lyonnais, however, it kept its provisioning effort at substantially the same level as the previous year, even though its total stock of capital and provisions, at FFr64.7bn, is one of the most comfortable.

Mr Thomas said that even on the new capital adequacy definitions proposed by the Cooke Committee of the Bank for International Settlements, after adding 1987's retained earnings BNP would easily meet the requirement of capital and reserves amounting to 8 per cent of a weighted measurement of exposure.

Its "first tier" capital – principally equity and disclosed reserves – amounted to 4.16 per cent of weighted assets.

The BNP chairman was notably less outspoken than his competitor at Credit Lyonnais, Mr Jean-Maxime Leveque, over prospects for privatising his bank.

He said he hoped for a progressive and partial opening up of the bank's capital, first by giving voting rights to its certificates of investment, then through a partial sale of the state's shares, and subsequently through a capital increases in which the state would not take up its rights.

Duty-free shops lift Wagons-Lits

NET PROFITS at Wagons-Lits, the Belgian rail, hotel, catering and leisure group, rose by nearly 27 per cent last year on turnover up by 9.3 per cent to BFr65.5bn ($1.8bn), writes William Dawkins in Brussels.

The group's net surplus rose from BFr818m to just over BFr1bn. Its fastest growing businesses were duty-free airport shops, with sales up by nearly 88 per cent to BFr2.9bn, followed by catering, with a near 14 per cent increase in turnover.

Olivetti gains control of Scanvest-Ring

By Alan Friedman in Milan

OLIVETTI, THE Italian office automation group, is buying majority control of Scanvest-Ring, the Norwegian manufacturer and distributor of integrated data processing systems.

The purchase, Olivetti's largest acquisition since the 1986 takeover of West Germany's Triumph-Adler office equipment concern, is expected to cost between $60m and $80m.

The acquisition will increase Olivetti's presence in the Scandinavian market and yesterday was described as "confirmation of the company's focus on Europe."

Scanvest-Ring, which has 1,000 employees, last year made a profit of NKr80m ($12.7m) on turnover of NKr860m.

The group includes companies such as SRC, which is active in the PABX market in the US and Scandinavia; SMS, a Danish systems integrator; Kitron, a Norwegian electronic components and communications company; and NCI, a Norwegian producer of Unix-based minicomputers.

Olivetti said the acquisition has yet to be approved by the regulatory authorities.

French ban on Ferruzzi owning St Louis shares

BY OUR PARIS STAFF

FERRUZZI, THE Italian foods group which controls Beghin-Say, France's leading sugar producer, has been banned by the French Government from owning shares in St Louis, the second largest sugar company, for five years.

However, the ruling comes too late to save St Louis, which was forced in February to sell Lesieur, its cooking oils subsidiary, to Ferruzzi in return for the Italian group's promise to sell back to friendly shareholders the 13.8 per cent stake it had built up in St Louis.

Ferruzzi's pledge was only to reduce its stake below 10 per cent, and the joint ruling by the French finance and agriculture ministries will oblige it to shed entirely its holding.

Beghin-Say and St Louis together control about 75 per cent of household sugar sales in France and about 40 per cent of industrial sugar sales.

The ruling represents one of the first actions to emanate from the new competition council created last year to watch over competitive abuses and industrial concentrations.

The council, which was asked to investigate the St Louis case last November after an appeal from the besieged company to the Finance Minister, delivered its opinion to the minister last month.

Finnish plastics takeover

BY OLLI VIRTANEN IN HELSINKI

UPONOR, THE Finnish plastic pipe manufacturer, has bought a 70 per cent holding in Wirsbo Bruk, the Swedish subsidiary of Outokumpu, Finland's state-owned base metals group.

The deal, announced yesterday, includes an option for Uponor to acquire the remaining 30 per cent. The purchase price was not disclosed.

Wirsbo's turnover last year totalled about $150m, of which 65 per cent consists of sales outside Sweden. Its main products, plastic pipes, will enhance Uponor's position as one of the leading manufacturers of plastic pipe systems in Europe. Other product lines include district heating systems, steel pipes and other metal products.

Moulinex returns to the black

BY OUR PARIS STAFF

MOULINEX, THE ailing French household equipment manufacturer, returned to the black last year with net profits of FFr12m ($2.1m), after a loss of FFr238m the year before.

The result surprised some of Moulinex's most enthusiastic supporters.

However, the parent company, Moulinex SA, which has borne the brunt of the group's restructuring, reported a net loss of FFr39m, just inside its forecast of a FFr41.7m loss.

Group sales remained flat at FFr3.37bn, but operating profits rose by 6.3 per cent to FFr371m. Exceptional restructuring charges fell to FFr234m from FFr450m in 1986.

Moulinex improved its cash flow to FFr184m from FFr32m a year earlier, and also reduced its debt by 7 per cent. Stocks were cut by 15 per cent, in line with budget.

After a difficult first half, when sales plunged as a result of retailers' resistance to Moulinex's sales policy of higher prices on a recentered product range, the group has begun to make headway in the market again.

Sales in this year's first quarter show an improvement of 27 per cent from the same quarter in 1987, with most of the advance coming in France.

Uncertainty over the company's future has also been reduced by a delayed management buyout plan agreed earlier this year by the company's founder, Mr Jean Mantelet, who until recently retained close control over the company through his 42 per cent stake.

Mr Mantelet's stake, which carries a majority of voting rights, will be sold after his death to Mr Roland Darneau, Moulinex's new chairman, and to senior management colleagues.

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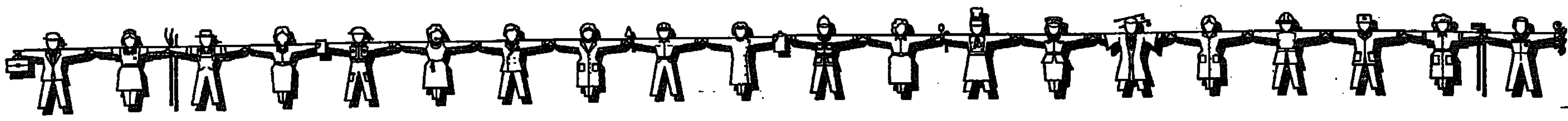


INTERNATIONAL CAPITAL MARKETS AND COMPANIES

US dollar insecurity spreads to all sectors

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

THE US dollar's latest fall from favour continued to cast its pall over the Eurobond market yesterday. Dollar weakness these days rarely seems to be reflected in an investor rush into bonds denominated in other currencies, particularly when the US Treasury bond market is weak, as it was yesterday.

"Insecurity has spread from the US dollar into all corners of the market," said one syndicate manager.

An exchange of fire between US and Iranian warships in the Gulf did nothing to subdue that nervousness. The battle was initially viewed as a "good thing" for the Treasury market as traders assumed that it would benefit from a flight to quality. Later, as the spot market price of crude oil shot up, dealers construed it as negative. Treasury bond prices ended the day in London about ⅝ points down on last Friday's levels.

The market which seems best insulated at the moment is, almost inevitably, that in yen. Yet the Japanese government bond market is having a few difficulties of its own at the moment.

The problem lies in the benchmark, the 10-year issue which attracts the majority of trading interest in the market and usually, as a result, commands a yield premium over other issues.

The possibility that the current benchmark – the No 105 carrying a 5 per cent coupon – could be replaced has led to professional selling of the issue itself and selling of government bond futures as a hedge. Partly as a result of this, and partly due to the Gulf battles, the yield on the 105 closed the day at 4.46/45 per cent in London, compared with the 4.395 per cent close in Tokyo.

The best candidate for replacement of the No 105 is the No 111, carrying a 4.6 per cent coupon, of which Y1,000bn was sold earlier this month. It is possible that this issue could be supplemented by a further tranche next month, giving the issue the necessary liquidity for a benchmark.

INTERNATIONAL BONDS

Yield spreads between Euroyen and the benchmark narrowed somewhat, with Euroyen prices falling up to ¼ point at the longer end. Rumours abound of a number of further Euroyen issues this week, the favourite name at the moment being a sizeable issue for Italy.

Despite the weakness of the Tokyo Stock Exchange yesterday, Fujitsu, the computer components maker, launched its long awaited equity warrants deal through Nikko Securities. The $500m, five-year issue with an indicated 4¼ per cent coupon traded all day with a premium of at least five points to its issue price, and usually slightly more.

The coupon on a $300m warrants issue for Sekisui Chemical, through Daiwa Europe, was cut from the originally indicated 4⅛ per cent to 4 per cent, the lowest coupon on such a deal since the October stock market crash.

The strength of sterling – or more precisely the speculation about further UK base rate cuts which it engendered – flushed out a £150m floating-rate note for the Alliance Building Society. The issue, lead managed by Union Bank of Switzerland, had a seven-year final maturity, but there is a put option for investors in May 1992.

It carries a margin of 10 basis points over three-month London interbank offered rates, which steps up to 17 basis points after May 1992, to discourage holders from exercising the put. It was bid at a discount equivalent to its 33 basis point fees and the lead manager said it had placed one-third of the issue itself.

Faced with both the weak dollar and a sorry-looking US stock market, Salomon Brothers brought a $75m convertible for Weingarten Realty of the US. It carries a coupon of 7¾ per cent, stepping up to 8½–8¾ per cent after five years. A 12 to 15 per cent conversion premium was indicated and final maturity is 2003.

In Ecu, Deutsche Bank Capital Markets brought an Ecu50m five-year issue for Elf-Aquitaine, the French energy and chemicals group, targetted at retail investors. It carries a 7⅝ per cent coupon and a 101⅝ issue price.

Despite the closure of the Zurich market, the World Bank made a SFr75m private placement with a seven-year maturity, a 4⅝ per cent coupon and a 101 issue price through Banque Paribas (Suisse) and Shearson Lehman Brothers Finance.

Crédit Suisse grey market plan delayed

LEGAL DIFFICULTIES have delayed a plan by Crédit Suisse to start grey market trading in Swiss franc bonds, a move which analysts have predicted would shake up a sector hitherto dominated by smaller Swiss banks, Reuter reports from Zurich.

Grey market trading in bonds is carried out before the start of official pre-bourse trading.

Mr Hans-Jörg Rudloff, head of new issues at Crédit Suisse, said the bank had still not found a way of reconciling its plan to set up in Zurich with a 1912 cantonal law forbidding trading of bonds before the expiry of their subscription period.

"We are still trying (to set up a market) in Zurich," said Mr Rudloff. "We are still examining all the possibilities and will leave no legal avenue unexplored."

If Crédit Suisse were unable to get approval in Zurich, Switzerland's largest financial centre, then it would still go ahead somewhere else in Switzerland, Mr Rudloff said. "But we would prefer to do it in Zurich." Discussions are continuing both with the Zurich stock exchange and cantonal authorities.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on April 18

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	95⅛	96¼	-0⅛	-0⅝	8.76
All Nippon Air 9⅛ 97	100	†97¼	97¾	+0⅛	0	9.78
American Brands 8⅞ 92	150	98¾	99¼	-0⅛	-0⅝	9.14
A/S Eksportfinans 7⅞ 93	100	†93⅞	94⅜	-0¼	-0¾	8.98
A/S Eksportfinans 7¼ 92	150	95⅛	95⅝	-0⅛	-0⅞	8.73
Barc. Bk Fin. 10¼ 89	200	†102⅞	103⅜	+0¼	-0⅜	8.10
Belgium 9⅛ 92	400	†100⅞	101⅜	-0⅛	-0⅝	8.78
British Telecom 7⅝ 96	250	89⅛	89⅝	-0½	-1	9.49
Cal.Natl.Telecom 8½ 93	160	99⅜	99⅞	-0⅜	-0⅝	8.62
Canada 9 96	1000	99⅛	99½	-0⅝	-1¼	9.13
Canadian Pac 10⅞ 93	100	†104¼	105¼	0	-0½	9.53
C.C.C.E 7⅛ 91	113	†95¼	95¾	-0⅛	-0⅞	8.64
C.N.C.A 7½ 91	150	95	95½	-0¼	-0¼	8.80
Coca-Cola Ent. 8¼ 90	100	†100½	101	-0¼	-0⅜	7.84
Credit Lyonnais 9 91	200	100⅜	101⅛	-0¼	-0⅜	8.57
Credit National 7⅛ 92	100	95¼	95¾	-0¼	-0⅝	8.75
Credit National 7¼ 91	150	95½	96⅛	-0¼	-0⅝	8.63
Denmark 7⅛ 92	500	94⅛	94⅝	-0¼	-0½	8.89
Denmark 8¼ 91	300	*†100	100	0	0	8.23
E.E.C 7 91	100	95¼	95¾	-0⅛	-0⅝	8.47
E.E.C. 7¼ 93	250	93⅝	94⅛	-0⅛	-0⅞	8.84
E.E.C 8¼ 96	100	†93⅝	94	-0⅛	-1	9.37
E.I.B. 7⅝ 93	100	94	94½	-0⅜	-0⅞	8.95
E.I.B. 9⅜ 97	150	99⅛	99⅝	-0½	-1¼	9.44
Elec.De France 9 98	200	96¼	96¾	-0⅝	-1½	9.56
Finland 7⅞ 97	200	†89⅞	90¼	-0⅞	-1	9.60
Finland 7½ 93	200	94⅛	94½	-0⅛	-0¼	8.87
Finn.Exp.Cd. 8½ 92	200	99⅜	99⅝	0	-0¼	8.69
Ford Motor Credit 8 91	250	97⅞	98⅜	-0⅛	-0⅝	8.64
Gen Elec Credit 10¼ 90	200	101⅞	102⅜	-0⅛	-0⅝	9.93
G.M.A.C. 8 89	250	99⅝	100⅛	0	-0½	8.04
G.M.A.C. 8¼ 89	200	100	100½	0	-0⅞	8.09
Hoesch 8¼ 97	100	†92¾	93¼	-0⅝	-1	9.44
Italy 9 90	1000	101⅝	102⅛	0	-0⅛	8.09
Liberty Mutual 8½ 96	150	*†96⅜	96⅞	0	0	9.13
L.T.C.B of Japan 8 91	100	98⅝	99	-0⅛	-0⅛	8.42
L.T.C.B. of Japan 8 97	200	88⅞	89⅜	-0⅞	-1¼	9.90
Mercedes-Benz Cd. 8½ 95	100	97⅛	97⅝	-0¼	-0½	9.02
Metropolis Tokyo 9½ 93	200	102⅛	102⅝	+0⅛	-0⅜	8.84
Mitsubishi fin. 7⅞ 93	100	†93⅜	93⅞	-0⅛	-0½	9.36
Norway 8¾ 93	500	99⅞	100¼	-0⅛	-0½	8.74
Pepsico Inc 7⅛ 93	200	†93⅜	93⅞	-0¼	-1⅛	8.99
Portugal 8¼ 91	300	98⅜	98⅞	+0⅛	-0⅛	8.84
Prudential Crp. 8⅞ 94	125	99⅛	99⅝	-0½	-1	8.90
Qantas Airways 10⅝ 95	140	103⅞	104⅜	-0½	-1	9.59
Saab Scania 9½ 91	125	†102⅝	103⅛	-0¼	-0⅝	8.30
Saskatchewan 10⅛ 92	100	105½	106	-0⅛	-0⅜	8.91
State Bk S Aust 9¼ 93	100	100⅛	100½	-0¼	-0⅜	9.17
Swedish Expt Crd. 7⅛ 91	100	†95⅝	96⅛	-0¼	-0½	8.59
Swed Exp Cred 10 92	100	†104⅛	104⅝	+0⅛	0	8.64
Sweden 7 91	250	96	96½	-0¼	-0⅛	8.26
Sweden 7 92	250	†94⅞	95⅜	0	-0½	8.53
Sweden 8¾ 96	200	96½	96⅞	-0⅝	-1¼	9.41
Sweden 8½ 92	200	†99⅜	99⅞	-0¼	-0⅞	8.58
Toyota Mtr. Cred. 9 90	200	†101⅝	102⅛	+0⅛	-0⅜	8.15
Victorian Rep 11⅛ 92	150	108	108½	-0¼	-0⅞	9.09
World Bank 7 92	300	†95⅛	95⅝	-0¼	-0½	8.46
World Bank 9 97	300	97½	98	-0⅝	-1¼	9.36
Yasuda Trust Fin 8½ 93	100	96⅛	96⅝	-0½	-0⅝	9.37

Average price change... On day -0¼ on week -0⅝

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 6 94	200	103	103½	0	-0⅛	5.38
Avis Fin SVS 5⅞ 92	100	†100½	101	0	-0⅛	5.65
Bank of Tokyo 5⅞ 93	100	†103	103½	-0¼	0	4.98
Central Bk. Turkey 7 92	200	†105	105½	0	+0⅜	5.62
Commerzbank o/s. 5⅞ 93	300	†101⅛	101⅜	0	0	4.97
Degussa Int. 6⅛ 97	200	100⅞	101½	-0⅛	-0⅜	5.96
E.I.B 5½ 98	150	96⅞	97⅛	0	+0⅛	5.94
E.I.B 6 97	300	100⅞	101⅜	+0⅛	+0⅛	5.81
E.I.B. 6⅛ 96	300	102⅛	103	+0⅛	+0¼	5.71
E.I.B. 6⅛ 97	400	101	101⅜	+0⅛	+0⅛	5.92
E.I.B. 6⅞ 95	300	106⅞	107⅜	0	0	5.66
Euro.Coal& Steel 5⅞ 97	175	99⅞	100½	-0⅛	+0⅜	5.85
Eurofima 6¼ 96	100	101⅞	102⅜	0	-0⅛	5.89
Elec De France 5¾ 97	300	98⅝	99⅛	0	0	5.93
Forsmark Krtg. 5⅛ 93	200	101⅛	101⅝	-0⅛	-0⅜	4.80
I.A.D.B 6 97	200	99⅝	100⅛	0	+0⅛	6.01
IBJ 5⅞ 92	100	†103¼	103¾	0	0	4.98
Japan Finance 5⅞ 97	100	98⅛	98⅞	0	+0⅝	5.97
Ireland 6½ 97	300	†102	102½	0	+0⅝	6.17
Korea Dev BK 6⅞ 93	100	102⅞	103⅜	0	-1	5.87
Malaysia 6¼ 94	150	101⅝	102⅛	0	-1⅛	5.85
Oesters. Kontbk. 5 93	300	100⅞	101⅜	0	0	4.70
Portugal 5¾ 92	150	102⅝	103⅛	-0⅛	-0⅜	5.01
Portugal 6⅞ 95	150	103	103½	0	0	6.03
Privatbanken 5⅞ 93	150	100	100½	0	+0⅛	5.19
Royal Insurance 5½ 92	300	†102⅛	102⅝	0	-0⅛	4.79
Statoil 6⅛ 97	200	†100½	101	0	+0¼	6.14
Soc Cent Nuclear 7⅛ 95	150	106½	107⅛	-0⅛	-0⅛	6.04
Tokyo Elec. Power 6 97	300	†100⅛	100½	+0⅛	+0¼	5.94
Westlb Finance 5 93	200	†99⅛	99⅞	0	0	5.09
World BK. 6⅛ 97	600	†102	103	-0⅛	-0⅛	5.75

Average price change... On day +0 on week +0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5⅞ 96	100	*†103⅛	103⅝	0	+0⅝	5.15
Asfinag 5 02	150	*†100⅛	100⅞	0	-0⅛	4.95
Bk Frgn.Econ Usr 5 98	100	*†100⅛	100⅞	0	-0⅛	4.98
Bayer W/W 2⅝ 02	250	*†99⅝	99⅞	0	+1⅜	2.57
Bayer Vrnsbk.Os 4⅞ 98	100	*†102⅛	102⅝	0	0	4.47
Elec De France 5 07	100	*†101⅛	101⅝	0	0	4.87
E.I.B. 4¾ 97	200	*†101⅞	101⅞	0	+0⅛	4.49
E.I.B 4⅝ 97	200	*†100⅞	100⅞	0	+0⅛	4.50
Enso Gutzeit 5 99	100	*†101¼	101¾	0	-0⅛	4.87
Ireland 5 02	150	*†98⅞	98⅞	0	+1⅛	5.11
Nippon Suis.Ksha.4⅞ 93	80	*†105	105	0	+1⅛	3.51
Occident.Petrol 5⅛ 92	100	*†103⅛	103⅛	0	-0⅛	4.65
Prov of Manitoba 4⅝ 02	200	*†103	103	0	+0⅛	4.35
Prudential Fin. 4⅞ 98	200	*†101⅝	101⅝	0	0	4.54
Qantas Airways 4⅝ 97	110	*†99⅝	99⅝	0	-0⅛	4.83
SHV Holdings 4⅛ 94	100	*†102⅛	102⅛	0	+0⅛	4.36
Trans-Can. Pipe 4⅞ 94	100	*†101⅞	101⅞	0	0	4.50
Unilvg 5⅛ 96	120	*†104⅛	104⅛	0	-0⅛	4.84
Victoria Pub.Ath 5⅞ 03	118	*†102⅛	102⅛	0	-0⅛	5.10
World Bank 5 02	200	*†100⅛	100⅛	0	+0⅛	4.98

Average price change... On day 0 on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅞ 92	55	102¾	103	-0¼	-0¼	4.67
Belgium 4⅞ 94	45	98¼	98⅝	-0⅜	-0⅛	4.94
Canada 4⅞ 92	80	99⅛	99⅜	-0⅛	-0⅜	4.60
Elec. De France 5⅛ 94	20	101	101⅛	-0⅛	-0¼	4.90
Ireland 5⅛ 93	30	100⅜	100⅞	-0⅛	-0¼	4.98
Norway 4⅞ 92	60	98⅜	98⅝	-0⅛	-0¼	4.67
Rep. of Italy 5⅛ 92	150	104	104¼	-0¼	-0⅛	4.55
Sweden 4⅞ 92	50	98⅞	99⅛	-0⅛	-0⅜	4.67
World Bank 5½ 92	50	103⅞	104⅛	-0⅛	-0⅜	4.47

Average price change... On day -0¼ on week -0¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS 10¼ 93 £	50	102⅝	103⅛	+0⅝	+1⅞	9.46
Alg. Bk. Ned. 5½ 92 FL	150	100⅞	101¼	+0⅛	+0⅛	5.20
Amro Bank 6¼ 92 FL	150	102½	103	+0⅛	+0⅛	5.51
Barc. Aust. 14 91 A$	20	103⅞	104½	0	-0⅞	12.47
Barc. Bk. 10¼ 97 £	250	101⅛	101½	-0⅛	+0⅜	10.02
BP Capital 9⅞ 93 £	100	102⅛	102½	—	—	9.17
British Airways 10 98 £	100	99⅛	99⅝	0	+0½	10.09
C.I.B.C. Mort. 10⅛ 93 C$	100	†101⅛	101⅝	-0⅛	-0⅛	10.32
Coop.Ctr.Rabo.6⅛ 93 FL	100	102⅛	102⅝	0	0	5.63
Coop.Ctr.Rabo.6 92 FL	200	101⅛	102⅛	0	0	5.45
Denmark 7⅛ 92 ECU	100	103	103⅜	+0⅛	+0⅛	6.77
Deutsche Bank 9⅞ 97 £	75	†101½	102	+0⅛	+0⅜	9.57
Deut.Bk.Aust.12⅛ 95 A$	70	104	104⅞	+0⅛	+0⅜	11.83
Dresdner fin.13⅞ 91 A$	100	†103½	104	-1½	-1½	12.32
E.I.B 10⅛ 98 C$	130	†99⅝	100⅛	-0⅛	-0⅛	10.14
E.I.B 8⅛ 93 LF	1000	†102⅞	103⅜	+0⅛	+0⅛	7.77
Euratom 7⅞ 97 ECU	145	98⅛	98⅝	+0⅛	+0⅝	7.61
Eurofima 7⅞ 92 FL	50	107	109	+0⅛	0	5.25
Eurofima 17½ 89 NZ$	50	†103	104	0	-0⅛	14.65
Fed.Bus.Dv.Bk.9⅞ 92 C$	75	†99½	100	-0⅛	-0⅛	9.81
Ford Cr.Can.10⅞ 93 C$	100	†102⅞	103⅜	-0⅛	-0⅛	9.92
Gillette Can. 9⅝ 93 £	70	98⅝	99⅛	0	0	9.92
G.M.A.C. 9⅞ 92 C$	75	98⅛	98⅝	-0⅛	0	9.70
G.M.A.C Aus.Fin.14 90 A$	50	103½	104	+0⅛	+0⅛	11.92
Halifax BS 10⅞ 97 £	100	101⅝	102	0	+0⅞	10.08
Heineken NV. 6½ 91 FL	150	†104½	105	+0⅛	0	4.64
Imp Chem Inds 10 03 £	100	99⅞	100⅜	-0⅛	+0⅜	9.98
Inv.Industry Int.10 93 £	60	103	103½	+0⅛	+0⅝	9.16
Lloyds Bank 10¼ 98 £	150	99½	100	-0⅛	+0⅜	10.28
Mtge.Bk.Den. 6¼ 91 FL	100	103¼	103¾	0	0	5.44
Nat.Australia 14 92 A$	50	104⅜	104⅞	0	-0⅛	-0.92
Nat. West. Bk.13⅛ 92 A$	50	†104	104½	0	-0⅛	11.82
Nationwide BS 10⅛ 93 £	75	102	102⅝	0	+0⅜	9.56
Ned. Midd. Bank 6 92 FL	150	101⅛	101⅝	-0⅛	+0⅛	5.60
New Zealand 7⅞ 93 ECU	200	101½	102⅛	+0⅛	+0⅜	7.30
Oesters.Ktbk.13⅞ 94 A$	75	105⅝	106⅛	0	-0⅝	12.20
Prudential Fin.9⅞ 07 £	150	92⅞	93⅜	+0⅛	+0⅜	10.21
Royal Bk.Scot.10⅛ 98 £	125	101⅞	102⅛	—	—	10.34
S.D.R. 7⅛ 95 ECU	90	101⅛	101⅝	+0⅛	+0⅛	7.48
World Bank 5⅛ 92 FL	100	101⅞	102	0	0	5.28
World Bank 13⅛ 92 A$	100	†105⅛	105⅝	0	+0⅜	11.62

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alberta 3 93	.0312	100.09	100.20	13/06	8.17
Alliance & Leic.Bld 94 £	.08	99.23	99.28	21/04	9.02
Belgium 91	0	100.12	100.22	22/08	7
Britannia 5 93 £	0⅛	99.79	99.84	8/07	8⅛
Chase Manhattan Corp 91	0⅛	99.14	99.31	22/08	6.94
Citicorp 98	†0⅛	95.95	96.20	29/04	6.89
EEC 3 92 DM	†0	100.44	100.49	22/08	3.56
Halifax BS 94 £	.1	99.69	99.74	9/05	9.6
Invt. In Industry 94 £	0	99.66	99.76	24/05	9.44
Leeds Perm. B/S. 94 £	0⅛	99.86	99.91	13/07	8.37
Midland Bank 01 £	.1	94.94	95.94	11/05	9.41
Milk Mkt. Brd. 5 93 £	0⅛	99.58	99.63	30/06	8.81
New Zealand 5 97 £	.07	99.71	99.81	18/05	9.44
New Zealand 5 01	0	99.26	99.36	4/08	6.98
United Kingdom 5 92	0	100.05	100.12	7/07	6.94
Woodside Fin. 5⅛ 97	0	99.16	99.26	28/04	7.13
Woolwich 5 95 £	0⅛	99.52	99.57	19/05	9½

Average price change... On day +0.02 on week +0.06

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6⅛ 02	†8/87	62.	95⅛	96¼	0	38.78
Alco Health 6¼ 01	†7/86	26.25	86	87	+2	24.42
American Brands 7⅛ 02	9/87	56.7	99⅛	100⅛	-0⅞	32.13
American Can Co. 5⅛ 02	†4/87	66.75	66	67	+0⅛	80.22
Ashikaga Bank 2⅛ 02	4/87	967.	139⅞	141¼	-0⅛	-2.04
Asics 5 92 DM	12/83	472.7	166¼	167¾	0	5.37
CBS. Inc. 5 02	†4/87	200.	93⅞	94⅛	+0⅛	21.45
Fuji Hvy Inds 3 00	8/85	676.	184⅛	186	-1⅛	2.82
Fujitsu 3 99	5/84	1106.	248	249	-2⅛	-0.82
Gunma Bank 2⅛ 02	4/87	808.	164	165½	-0⅛	1.47
Kinki-Sogo Bk.2⅞ 03 US	4/88	1069.	105⅛	106⅞	+0⅛	-0.48
Land Secs. 6⅛ 02 £	6/87	6.72	99	100	+0⅛	22.24
MCA INC 5⅛ 02 US	9/87	69.62	82⅛	83⅛	-0⅛	29.00
Minolta Camera 2⅛ 94 DM	2/86	1004.	97⅛	99⅛	-0⅛	26.58
Mitsui trust 2⅛ 01	10/86	1903.	153½	155	+0⅛	1.82
Next PLC 5⅛ 03 £	11/87	4.3	104⅛	105⅛	+0⅛	68.50
Nichi Nipp.Bk.2⅞ 03 US	4/88	804.	105⅞	107⅞	+0⅛	7.43
Omron Tateisi 2⅛ 02	4/87	1310.	241	242⅛	-0⅛	2.44
Ranks Hovis 4⅛ 03 £	1/88	3.5	108⅞	109⅞	+0⅛	16.00
Redland 7⅛ 02 £	1/87	5.4	96⅛	97⅛	+0⅛	23.51
Texas Inst. 2⅛ 02 US	†9/87	82.87	82	83	0	34.72
W.R. Grace 6⅛ 02 US	9/87	42.12	84⅛	85⅛	-1⅛	37.31

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Market bodies plan joint regulations

By Alexander Nicoll, Euromarkets Editor

THE BODIES which oversee the primary and secondary Eurobond markets have formed a joint committee to draw up rules for the primary market designed to meet Britain's new regulatory framework.

The Association of International Bond Dealers, which oversees secondary market trading, has been designated as an exchange in the UK structure. But the new issue process remains outside the regulatory net. Recommendations of the International Primary Market Association, of which issue managers are members, carry no legal force or penalties.

The committee, with four members from IPMA and two from AIBD, will draw up rules which will be operated under the AIBD's aegis and thus fall in with the UK requirements. Stabilisation of new issues – where the lead manager supports the price of an issue by buying it in the market – will be illegal unless conducted on an approved exchange.

The committee, led by Mr Sheldon Prentice of Salomon Brothers, will determine at what point an issue leaves the primary "grey" market and enters secondary trading.

The board also agreed to admit top co-managers to IPMA. Until now, only houses which lead issues have been admitted. But a tightening of membership rules last year resulted in 13 houses having to leave, reducing the total to 53. This was felt to exclude houses which played an important role in the syndication process.

● A small fire on Sunday night in the AIBD's London computer room, halted the daily collection and dissemination of bond prices.

The AIBD was yesterday seeking to install computer hardware to replace its systems and was hoping to return to normal within a day or two.

The breakdown meant that the AIBD could not accept prices from market makers, who are required to transmit their closing quotes daily.

By the time the AIBD introduces its TRAX system for matching trades later this year, all its computer systems will have been re-located to a new specially built office in London's Docklands.

Richard Waters explains the new appeal of the Continent

Accounting majors look to Europe

CHICAGO-BASED Arthur Andersen, the most American of the traditionally Anglo-American dominated international accountancy firms, is looking to Europe for its future. It intends to double the proportion of its fees that come from Europe, to 45 per cent by the mid-1990s – the most obvious sign yet of a geographical refocusing going on in all the big firms.

Plans for a free European internal market by 1992 have given extra impetus to this development. So did the merger last year of Peat Marwick and KMG to create a firm, now called KPMG, which stands head and shoulders above its rivals across the continent.

Other accounting firms are planning, or putting into place, a series of national mergers across Europe to strengthen their positions, sometimes at the expense of smaller groups. But the relative infancy of the accountancy and management consultancy professions in some European countries has left big gaps – as well as the potential for rapid growth.

Accountancy firms' ability to service corporate clients which are expanding into other national markets depends on their strength on the ground.

KPMG earns twice as much in Europe as its nearest rival, according to figures published here for the first time (see table). Leaving out the UK, its $1bn of fees from the continent last year was still more than double that of Arthur Young, its nearest rival.

Others, notably Ernst & Whinney and Arthur Andersen, both US-centred firms, had talked about merging with KMG. They are now finding other ways to refocus their international activity, giving more weight to Europe.

Andersen's massive rebalancing is causing consternation among its competitors, who have long regarded it as the firm to beat. It has made a speciality of systems work and is better placed than others to take advantage of continuing growth (between 25 and 30 per cent a year) in the fragmented information technology market.

The market for audit, accounting and tax advisory work is also growing fast, particularly in countries like France, Spain and Italy, which have an undeveloped accountancy profession. Two statistics make the point: Britain's biggest firm alone employs as many people as the top 10 in France. And there are more qualified accountants in the UK than in all the other EC countries put together.

However, too aggressive an approach to building a stronger European presence may backfire. Arthur Andersen, already the largest firm in Italy, suffered the unusual public humiliation earlier this month of admitting that it had offered to undercut rivals in its bid for the audit of an Italian bank. It also confessed to offering other services to the bank, in contravention of the rules of Consob, the country's securities regulator.

The attention of firms to their European bases – with the exception of the UK, where few weaknesses are apparent – has led to a game of musical chairs in some markets. In the Netherlands, for instance, five domestic firms have changed their international allegiances in the past six months. This was sparked by news that Dijker en Doornbos, a member of BDO, was planning to move camps to Price Waterhouse in search of a stronger international link.

Some of the smaller international accountancy groups are losing out in the process. BDO, Grant Thornton, Spicer & Oppenheim and Dunwoody Robson McGladrey & Pullen have all lost national firms to larger groups. But they insist that they have a future as independents.

These changes have focussed attention on two important issues for accountancy firms. The first is to do with structure. Firms are to varying degrees franchise operations. They operate close control over the standards of member firms and collaborate on new products, but continue to share profits locally and regard themselves as individual national partnerships.

Seeing Europe as a single market may change that. Firms like Coopers & Lybrand and Deloitte Haskins & Sells are developing European strategies and expect eventually to operate as single European firms. The volume of referred work passing between national firms is the glue which holds the networks together: sharing profits is the next logical development.

The second, related issue is one of power. Continental European firms have long regarded what they see as the Anglo-American internationals with suspicion. Europe's growth in significance is likely to lead to more power for the continentals.

Regulatory pressures could slow some of these developments. There is no agreement, for instance, on how the independence of auditors should be protected.

And the British belief that auditors should be able to offer their clients a range of services is by no means widely accepted. Arthur Andersen, smarting from its rebuke by Consob in Italy, fell foul of the belief that a conflict of interest arises when auditors do something other than audit.

Such cases show that the accountants still have considerable institutional resistance to overcome in their development of full-service European firms.

INTERNATIONAL ACCOUNTANTS' INCOME

Firm	Fees ($m): Europe	Worldwide	Source (%): US	UK	Rest of Europe	Rest of World	Year end date
KPMG	1,375	3,250	45	11	31	13	9/87
Coopers & Lybrand§	672	2,000	45	13	21	21	9/87
Arthur Young	639	1,702	43	9	29	19	9/87
Price Waterhouse	580	1,804	47	14	17	22	6/87
Arthur Andersen	533	2,316	65	7	16	12	8/87
Deloitte H&S	457	1,340	47	14	20	19	4/87
Touche Ross	441	1,450	47	10	20	23	9/87
Ernst & Whinney	346	1,778	58	10	10	22	9/87
Binder Hamlyn	283	530	23	11	42	24	12/86
Spicer & Oppenheim	212	332	19	27	37	17	6/87
Grant Thornton	197	636	32	17	14	37	6/87
Pannell KF	114	359	30	20	12	38	12/87

§Coopers figures largely estimated. The firm reports worldwide fees of "over $2bn" and European fees of £415m.

German public borrower goes offshore

BY HAIG SIMONIAN IN FRANKFURT

TODAY'S EXPECTED DM300m issue for LKB Baden-Württemberg Finance may just look like another debut in the EuroD-Mark bond market.

But the bond, likely to be led by Trinkaus & Burkhardt, already has every sign of turning into a political hot potato.

It marks the first occasion that a public sector institution, in this case the bank of the West German state of Baden-Württemberg, is issuing a D-Mark bond through a foreign vehicle following the Bonn government's decision to impose a new withholding tax from 1989.

Such bonds, which are already widely used by German banks and industrial groups, will escape the tax, while those from domestically-based borrowers will be affected. The discrepancy has put the spotlight on the borrowing plans of public sector institutions, which have not until now borrowed offshore.

Baden-Württemberg's decision to borrow offshore highlights embarrassingly the present split between the domestic and foreign markets. If today's deal comes, as expected, with a 6 per cent coupon, a 10-year maturity and an issue price of 100⅞, it will yield 5.88 per cent – 40 basis points below the Federal Post Office's 6.25 per cent, 10-year bond, priced at 99⅞, issued yesterday.

The issue will also be a political headache for the federal government. Not only will a top-notch public borrower have chosen to go offshore, but the move comes from a Christian Democrat (CDU) controlled state whose Prime Minister, Mr Lothar Späth, has been among the strongest critics of the withholding tax.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange against four key currencies on Monday April 18 1988. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	52.0997	31.4580	42.0105
Albania	(Lek)	10.1643	5.3355	3.2216	4.3023
Algeria	(Dinar)	9.8763	5.1844	3.1303	4.1804
Andorra	(Fr Fr)	10.7200	5.6272	3.3977	4.5375
	(Sp Peseta)	209.73	110.0944	66.4754	88.7746
Angola	(Kwanza)	56.32	29.5643	17.8510	23.8391
Antigua	(E Carr $)	5.11	2.6824	1.6196	2.1629
Argentina	(Austral)	10.8638o	5.7027	3.4433	4.5984
Aruba	(Florin)	3.3903	1.7796	1.0745	1.4350
Australia	(Aus $)	2.5265	1.3262	0.8007	1.0694
Austria	(Schilling)	22.195	11.6509	7.0348	9.3947
Azores	(Port Escudo)	258.47	135.6797	81.9239	109.4052
Bahamas	(Bahama $)	1.9050	1	0.6038	0.8063
Bahrain	(Dinar)	0.7140	0.3748	0.2263	0.3022
Balearic Is	(Sp Peseta)	209.73	110.0944	66.4754	88.7746
Bangladesh	(Taka)	58.40	30.6561	18.5103	24.7195
Barbados	(Barb $)	3.8094	1.9996	1.2074	1.6124
Belgium	(Belg Fr)	66.10c	34.6981	20.9508	27.9788
		66.55f	34.9343	21.0935	28.1693
Belize	(B $)	3.7880	1.9884	1.2006	1.6033
Benin	(CFA Fr)	536.00	281.3648	169.8890	226.8783
Bermuda	(Bermudian $)	1.9050	1	0.6038	0.8063
Bhutan	(Ngultrum)	24.60	12.9133	7.7971	10.4126
Bolivia	(Boliviano)	4.3183	2.2668	1.3687	1.8278
Botswana	(Pula)	3.2175	1.6889	1.0198	1.3619
Brazil	(Cruzado)	236.50	124.1469	74.9603	100.1058
British Virgin Is	(US $)	1.9050	1	0.6038	0.8063
Brunei	(Brunei $)	3.7945	1.9918	1.2026	1.6061
Bulgaria	(Lev)	1.5280	0.8020	0.4843	0.6467
Burkina Faso	(CFA Fr)	536.00	281.3648	169.8890	226.8783
Burma	(Kyat)	11.0236	5.7866	3.4940	4.6660
Burundi	(Burundi Fr)	248.83	130.6194	78.8684	105.3248
Cameroon	(CFA Fr)	536.00	281.3648	169.8890	226.8783
Canada	(Canadian $)	2.3445	1.2307	0.7431	0.9923
Canary Is	(Sp Peseta)	209.73	110.0944	66.4754	88.7746
Cp. Verde Is	(CV Escudo)	139.06	72.9973	44.0760	58.8613
Cayman Is	(CI $)	1.5720	0.8251	0.4982	0.6653
Cent.Afr. Rep	(CFA Fr)	536.00	281.3648	169.8890	226.8783
Chad	(CFA Fr)	536.00	281.3648	169.8890	226.8783
Chile	(Chilean Peso)	465.64	244.4304	147.5879	197.0962
China	(Renminbi Yuan)	6.9715	3.6595	2.2096	2.9508
Colombia	(Col Peso)	537.97	282.3989	170.5134	227.7121
Comoro Is	(CFA Fr)	536.00	281.3648	169.8890	226.8783
Congo (Brazz)	(CFA Fr)	536.00	281.3648	169.8890	226.8783
Costa Rica	(Colon)	140.63	73.8215	44.5736	59.5259
Cuba	(Cuban Peso)	1.4425	0.7572	0.4572	0.6105
Cyprus	(Cyprus £)	0.8390	0.4404	0.2659	0.3551
Czechoslovakia	(Koruna)	9.45c	4.9606	2.9952	4
		16.45l	8.6351	5.2139	6.9629
		15.84t	8.3149	5.0206	6.7047
Denmark	(Danish Kroner)	12.1575	6.3818	3.8534	5.1460
Djibouti Rep	(Djib Fr)	335.00	175.8530	106.1806	141.7989
Dominica	(E Carrib $)	5.11	2.6824	1.6196	2.1629
Dominican Rep	(D Peso)	9.4037	4.9363	2.9805	3.9804
Ecuador	(Sucre)	472.74o	248.1574	149.8383	200.1015
		814.85a	427.7427	258.2725	344.9100
Egypt	(Egyptian £)	4.2510	2.2314	1.3473	1.7993
El Salvador	(Colon)	9.4732	4.9728	3.0025	4.0098
Equat'l Guinea	(CFA Fr)	536.00	281.3648	169.8890	226.8783
Ethiopia	(Ethiopian Birr)	3.8943	2.0442	1.2343	1.6483
Falkland Is	(Falk £)	1.00	0.5249	0.3169	0.4232
Faroe Is	(Danish Kroner)	12.1575	6.3818	3.8534	5.1460
Fiji Is	(Fiji $)	2.6822	1.4079	0.8501	1.1353
Finland	(Markka)	7.5355	3.9556	2.3884	3.1896
France	(Fr)	10.7200	5.6272	3.3977	4.5375
Fr. Cty/Africa	(CFA Fr)	536.00	281.3648	169.8890	226.8783
Fr. Guiana	(Local Fr)	10.7200	5.6272	3.3977	4.5375
Fr. Pacific Is	(CFP Fr)	193.00	101.3123	61.1727	81.6931
Gabon	(CFA Fr)	536.00	281.3648	169.8890	226.8783
Gambia	(Dalasi)	13.7718	7.2292	4.3650	5.8293
Germany East	(Ostmark)	3.1550	1.6561	1	1.3354
Germany West	(D-Mark)	3.1550	1.6561	1	1.3354
Ghana	(Cedi)	[illegible]	[illegible]	[illegible]	[illegible]
Gibraltar	(£)	1.00	0.5249	0.3169	0.4232
Greece	(Drachma)	251.98	132.2729	79.8648	106.6682
Greenland	(Danish Krone)	12.1575	6.3818	3.8534	5.1460
Grenada	(E Carr $)	5.11	2.6824	1.6196	2.1629
Guadaloupe	(Local Fr)	10.7200	5.6272	3.3977	4.5375
Guam	(US $)	1.9050	1	0.6038	0.8063
Guatemala	(Quetzal)	1.9050	1	0.6038	0.8063
		4.8180a	2.5291	1.5270	2.0393
Guinea	(Fr)	568.20	298.2677	180.0950	240.5079
Guinea-Bissau	(Peso)	1231.10	646.2467	390.2060	521.1005
Guyana	(Guyanese $)	17.0050	8.9265	5.3898	7.1978
Haiti	(Gourde)	9.4700	4.9711	3.0015	4.0084
Honduras	(Lempira)	3.7900	1.9895	1.2012	1.6042
Hong Kong	(HK $)	14.8073	7.7728	4.6932	6.2676
Hungary	(Forint)	89.3701	46.9134	28.3264	37.8286
Iceland	(Icelandic Krona)	73.17	38.4094	23.1917	30.9714
India	(Indian Rupee)	24.60	12.9133	7.7971	10.4126
Indonesia	(Rupiah)	3154.69	1656.0052	999.9017	1335.3185
Iran	(Rial)	124.10	65.1443	39.3343	52.5291
Iraq	(Iraqi Dinar)	0.5877	0.3085	0.1862	0.2487
Irish Rep	(Punt)	1.1811	0.6200	0.3743	0.4999
Israel	(Shekel)	2.9605	1.5540	0.9383	1.2531
Italy	(Lira)	2347.00	1232.0209	743.8985	993.4391
Ivory Coast	(CFA Fr)	536.00	281.3648	169.8890	226.8783
Jamaica	(Jamaican $)	10.23	5.3700	3.2424	4.3301
Japan	(Yen)	236.25	124.0157	74.8811	100
Jordan	(Jordanian Dinar)	0.6405	0.3362	0.2030	0.2711
Kampuchea	(Riel)	190.50	100	60.3803	80.6349
Kenya	(Kenya Shilling)	31.90	16.7454	10.1109	13.5026
Kiribati	(Australian $)	2.5265	1.3262	0.8007	1.0694
Korea North	(Won)	1.7804	0.9345	0.5643	0.7536
Korea South	(Won)	1399.55	734.6719	443.5974	592.4021
Kuwait	(Kuwaiti Dinar)	0.51655	0.2711	0.1637	0.2186
Laos	(New Kip)	662.90	347.9790	210.1109	280.5925
Lebanon	(Lebanese £)	710.06	372.7349	225.0586	300.5544
Lesotho	(Maluti)	4.0448	2.1232	1.2820	1.7120
Liberia	(Liberian $)	1.9050	1	0.6038	0.8063
Libya	(Libyan Dinar)	0.5265	0.2763	0.1668	0.2228
Liechtenstein	(Swiss Fr)	2.6100	1.3700	0.8272	1.1047
Luxembourg	(Lux Fr)	66.10	34.6981	20.9508	27.9788
Macao	(Pataca)	15.2325	7.9960	4.8280	6.4476
Madeira	(Port Escudo)	258.47	135.6797	81.9239	109.4052
Malagasy Rep	(MG Fr)	2101.75	1103.2808	666.1648	889.6296
Malawi	(Kwacha)	4.6100	2.4199	1.4611	1.9513
Malaysia	(Ringgit)	4.8690	2.5559	1.5432	2.0609
Maldive Is	(Rufiya)	19.1294	10.0416	6.0632	8.0971
Mali Rep	(CFA Fr)	536.00	281.3648	169.8890	226.8783
Malta	(Maltese £)	0.5965	0.3131	0.1890	0.2524
Martinique	(Local Fr)	10.7200	5.6272	3.3977	4.5375
Mauritania	(Ouguiya)	137.1445	71.9918	43.4689	58.0505
Mauritius	(Maur Rupee)	23.85	12.5196	7.5594	10.0952
Mexico	(Mexican Peso)	4320.58a	2268.0209	1369.4389	1828.8169
		4274.76d	2243.9685	1354.9160	1809.4222
Miquelon	(Local Fr)	10.7200	5.6272	3.3977	4.5375
Monaco	(French Fr)	10.7200	5.6272	3.3977	4.5375
Mongolia	(Tugrik)	6.3553	3.3361	2.0143	2.6900
Montserrat	(E Carr $)	5.11	2.6824	1.6196	2.1629
Morocco	(Dirham)	14.94	7.8425	4.7353	6.3238
Mozambique	(Metical)	860.8230	451.8755	272.8440	364.3695
Namibia	(S A Rand)	4.0448	2.1232	1.2820	1.7120
Nauru Is	(Australian $)	2.5265	1.3262	0.8007	1.0694
Nepal	(Nepalese Rupee)	40.7210	21.3758	12.9068	17.2364
Netherlands	(Guilder)	3.5400	1.8582	1.1220	1.4984
N'nd Antilles	(A/Guilder)	3.3903	1.7796	1.0745	1.4350
New Zealand	(NZ $)	2.8803	1.5119	0.9129	1.2191
Nicaragua	(Cordoba)	18.9500	9.9475	6.0063	8.0211
Niger Rep	(CFA Fr)	536.00	281.3648	169.8890	226.8783
Nigeria	(Naira)	8.4295	4.4249	2.6717	3.5680
Norway	(Nor. Krone)	11.7100	6.1469	3.7115	4.9566
Oman	(Rial Omani)	0.7290	0.3826	0.2310	0.3085
Pakistan	(Pak. Rupee)	33.00	17.3228	10.4595	13.9682
Panama	(Balboa)	1.9050	1	0.6038	0.8063
Papua New Guinea	(Kina)	[illegible]	[illegible]	[illegible]	[illegible]
Paraguay	(Guarani)	[illegible]	[illegible]	[illegible]	[illegible]
		[illegible]	[illegible]	[illegible]	[illegible]
Peru	(Intl)	62.54d	32.8293	19.8225	26.4719
		79.59o	41.7795	25.2266	33.6888
		85.28l	44.7664	27.0301	36.0973
		142.13a	74.6089	45.0491	60.1608
Philippines	(Peso)	38.40	20.1574	12.1711	16.2539
Pitcairn Is	(£ Sterling)	1.00	0.5249	0.3169	0.4232
	(NZ $)	2.8803	1.5119	0.9129	1.2191
Poland	(Zloty)	761.25o	399.6062	241.2836	322.2222
Portugal	(Escudo)	258.47	135.6797	81.9239	109.4052
Puerto Rico	(US $)	1.9050	1	0.6038	0.8063
Qatar	(Riyal)	6.8940	3.6188	2.1851	2.9180
Reunion Is. de la	(F/Fr)	10.7200	5.6272	3.3977	4.5375
Romania	(Leu)	14.78l	7.7585	4.6846	6.2560
Rwanda	(Fr)	138.3817	72.6413	43.8610	58.5742
St Christopher	(E Carr $)	5.11	2.6824	1.6196	2.1629
St Helena	(£)	1.00	0.5249	0.3169	0.4232
St Lucia	(E Carr $)	5.11	2.6824	1.6196	2.1629
St Pierre	(French Fr)	10.7200	5.6272	3.3977	4.5375
St Vincent	(E Carr $)	5.11	2.6824	1.6196	2.1629
San Marino	(Italian Lira)	2347.00	1232.0209	743.8985	993.4391
Sao Tome	(Dobra)	137.13	71.9842	43.4643	58.0444
Saudi Arabia	(Riyal)	7.1055	3.7299	2.2521	3.0076
Senegal	(CFA Fr)	536.00	281.3648	169.8890	226.8783
Seychelles	(Rupee)	9.68	5.0813	3.0681	4.0973
Sierra Leone	(Leone)	58.30	30.6036	18.4786	24.6772
Singapore	($)	3.7945	1.9918	1.2026	1.6061
Solomon Is	($)	3.8350	2.0131	1.2155	1.6232
Somali Rep	(Shilling)	189.40	99.4225	60.0316	80.1693
South Africa	(Rand)	4.0448c	2.1232	1.2820	1.7120
		5.5068f	2.8907	1.7454	2.3309
Spain	(Peseta)	209.73	110.0944	66.4754	88.7746
Spanish Ports in N Africa	(Sp Peseta)	209.73	110.0944	66.4754	88.7746
Sri Lanka	(Rupee)	58.10	30.4986	18.4152	24.5925
Sudan Rep	(£)	8.5230o	4.4740	2.7014	3.6076
Surinam	(Guilder)	3.3808	1.7746	1.0715	1.4310
Swaziland	(Lilangeni)	4.0448	2.1232	1.2820	1.7120
Sweden	(Krona)	11.1250	5.8398	3.5261	4.7089
Switzerland	(Fr)	2.6100	1.3700	0.8272	1.1047
Syria	(£)	51.1380o	26.8440	16.2085	21.6457
Taiwan	($)	54.25o	28.4776	17.1949	22.9629
Tanzania	(Shilling)	177.80	93.3333	56.3549	75.2592
Thailand	(Baht)	47.10	24.7244	14.9286	19.9365
Togo Rep	(CFA Fr)	536.00	281.3648	169.8890	226.8783
Tonga Is	(Pa Anga)	2.5265	1.3262	0.8007	1.0694
Trinidad/Tobago	($)	6.8184	3.5792	2.1611	2.8860
Tunisia	(Dinar)	1.5384	0.8075	0.4876	0.6511
Turkey	(Lira)	2330.70	1223.4645	738.7321	986.5396
Turks & Caicos	(US $)	1.9050	1	0.6038	0.8063
Tuvalu	(Australian $)	2.5265	1.3262	0.8007	1.0694
Uganda	(New Shilling)	112.42	59.0131	35.6323	47.5851
U A E	(Dirham)	6.9585	3.6527	2.2055	2.9453
United Kingdom	(£)	1.00	0.5249	0.3169	0.4232
United States	(US $)	1.9050	1	0.6038	0.8063
Uruguay	(Peso)	611.13	320.8031	193.7020	258.6793
USSR	(Rouble)	1.1129	0.5841	0.3527	0.4710
Vanuatu	(Vatu)	189.50	99.4750	60.0633	80.2116
Vatican	(Lira)	2347.00	1232.0209	743.8985	993.4391
Venezuela	(Bolivar)	27.46e	14.4146	8.7036	11.6232
		14.21p	7.4593	4.5039	6.0148
		55.33l	29.0446	17.5372	23.4201
Vietnam	(Dong)	696.99o	365.8740	220.9160	295.0222
Virgin Is-British	(US $)	1.9050	1	0.6038	0.8063
Virgin Is-US	(US $)	1.9050	1	0.6038	0.8063
Western Samoa	(Tala)	3.7700	1.9790	1.1949	1.5957
Yemen	(Rial)	19.41	10.1889	6.1521	8.2158
Yemen PDR	(Dinar)	0.6469	0.3395	0.2050	0.2738
Yugoslavia	(Dinar)	2725.00	1430.4461	863.7083	1153.4391
Zaire Rep	(Zaire)	303.6636	159.4034	96.2483	128.5348
Zambia	(Kwacha)	14.70	7.7165	4.6590	6.2217
Zimbabwe	($)	3.28	1.7217	1.0396	1.3883

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (i) Exports; (l) Non commercial rate; (o) Official rate; (p) preferential rate; (r) Controlled rate; (v) parallel rate; (s) Selling rate; (t) Tourist rate. Some data supplied by Bank of America

UK COMPANY NEWS

Redland 'open-minded' on British Fuels buy-out idea

BY NIKKI TAIT

MANAGEMENT at British Fuels, which claims to be Britain's largest coal and oil distribution company, has approached controlling shareholder, Redland, with a management buy-out proposal.

No figures are being mooted by either party, but City analysts estimate that the company could fetch substantially more than £100m.

British Fuels is the product of a recent merger between Cawoods, a wholly-owned Redland subsidiary, and British Fuel Company, which was previously owned jointly by AAH Holdings and British Coal.

As a result of the merger, which was announced in December 1986 and completed about a year ago, Redland holds a 55 per cent interest in British Fuels. AAH and British Coal have 25 and 20 per cent respectively.

Yesterday, Redland, the Surrey-based building materials group, said that it was "open-minded" about the merits of selling British Fuels, but added that fuel distribution was not seen as part of the company's core activities.

"We are not into fuel distribution anywhere else in the world," commented Mr Timothy Walker, Redland managing director.

Both sides have said that the approach to Redland has come on the initiative of management and was not prompted by any Redland moves to sell off its interest. Discussions are still at an early stage.

However, AAH – whose other interests range from pharmaceuticals distribution to environmental services – said that it had been "very surprised" by the management approach, and also by Redland's announcement at this stage. "We are not anxious to sell. After all, the merger has only just become effective." The company added that it was waiting to see further details of the proposals.

Under the terms of the merger, no shareholder is entitled to dispose of its holding without first offering the shares to other investors in British Fuels.

The British Fuels management approach is being headed by Mr George Priestley, who is BF's chief executive and joined Redland at the time of the Cawoods acquisition. He also sits on the Redland board. All three shareholders have two representatives of their own on the eight-strong BF board.

According to Redland, BF made operating profits of about £18m in the year to end-March 1987, on sales of more than £700m. In the current year, after the mild winter, analysts are predicting about £15.5m – although Redland maintains that a number of acquisitions and disposals distort comparisons.

Yesterday, analysts were suggesting that a price in excess of £120m would probably be seen as a good deal for the sellers, although exit multiples on management buy-outs tend to be on the low side.

Yesterday, AAH shares added 5p to 285p while Redland gained 2p to 423p.

Morgan Crucible over £31m

BY PHILIP COGGAN

DESPITE A £2m adverse currency effect, pre-tax profits of Morgan Crucible, industrial materials and electronics group, increased by 25 per cent to £31.1m in 1987.

However, earnings per share were held back by the issue of a large number of shares as consideration for the acquisition of Holt Lloyd, the specialty chemicals and car-care products group purchased last summer. The earnings figure grew just 9 per cent to 22p.

Roughly half the increase in profits and turnover came from organic growth and half from acquisitions. The speciality chemicals division, which benefited from a five month contribution from Holt Lloyd, doubled its profits to £9.6m (£4.4m).

The largest contributor to profits was the carbon division, which increased profits from £8.3m to £10.5m. Four independent carbon machining operations were acquired in the US. Morgan Crucible has built up a customer service network, known as American Carbon Industries, which is aimed at the large US carbon replacement market.

The thermal ceramics division increased profits from £7.6m to £8.3m and acquired US group McDermott International in January 1988, too late to be included in these figures. In the UK, three businesses were combined into one company – Morganite Thermal Ceramics.

Margins fell in the electronic division because of reorganisation costs, delays in defence orders and uncertainties in the semiconductor market. Although turnover in the division increased by 62 per cent, operating profits rose just 20 per cent to £1.2m.

Group turnover for the 53 weeks to January 3 1988 rose 38 per cent to £334.5m (£242.1m). Finance charges took £8.1m (£4.5m). There was an extraordinary item of £2.1m (£900,000) reflecting restructuring costs.

Dr Bruce Farmer, managing director, said that order books were strong, particularly in the US. Across the group as a whole, orders were 20 per cent higher than at the same time last year. The board is recommending a final dividend of 5.4p (5p), making a total of 10p (9.2p).

● comment

The bulk of Morgan Crucible's business consists of taking advanced industrial materials such as carbon and ceramics and converting them into products like starter motor brushes and ceramic fibre carbon, which are scarcely household names. That makes the group hard for the outsider to understand and harder still to classify into a neat sector. The acquisition of Holt Lloyd – best known for its Turtle Wax car polish – does little to help the issue. Some polishing of the company's image is obviously needed – since the beginning of 1987, the shares have drifted down against the market, particularly after Robert Holmes a'Court sold his stake. What Morgan Crucible needs to do is to illustrate that it can convert its recent acquisitions into substantial growth at the eps level. If it can hold the tax charge down to 26 per cent, then pre-tax profits of £44m this year and £52m next would put the shares, which fell 4p to 247p yesterday, on a prospective p/e of just under 10 and 8 respectively.

Thorn EMI to expand French activities

By Terry Dodsworth, Industrial Editor

Thorn EMI, UK industrial and retailing group, is set to expand in the French light fittings market after reaching preliminary agreement on the acquisition of Holophane, a supplier of pressed glass products to the automotive industry, a field new to Thorn.

Holophane also holds an 87 per cent stake in Europhane, which claims to be the second largest producer of light fittings in France.

Lighting is one of the main product areas Thorn has selected for expansion after the reorganisation of the last two years.

As part of its overseas development drive, Thorn acquired Jarnknost, a Swedish light fittings company formerly owned by Asea, for £15.9m last November.

Thorn already has a French sales and marketing operation, but Holophane will bring manufacturing facilities for fittings at Lyons and Rouen, along with a workforce of about 1,300. The company said it has no particular plans at present for the pressed glass products.

Thorn would give no indication yesterday of the price it is discussing with the institutional shareholders controlling Holophane. Last year, however, the company had a turnover of FFr 710m (£66.7m), an increase from FFr 612m in 1986, when pre-tax profits amounted to FFr 51m and net earnings to FFr 27m.

Shares in both Holophane and Europhane, of which 13 per cent is held publicly, were suspended on the Paris Bourse yesterday following the announcement of the proposed offer, which is subject to the approval of the French Treasury.

Based on the suspension price of FFr 822 per share, Holophane is valued at FFr 487m. Europhane's shares were suspended at FFr 343.2, valuing Holophane's 87 per cent stake in the fittings company at FFr 198m. Thorn said that if it the deal goes through it intends to buy out the 13 per cent public minority in Europhane.

David Lascelles on the reasons for Bank of Ireland's US purchase

Successful end to a lengthy quest

THE PROPOSED acquisition by the Bank of Ireland of First NH Banks is the culmination of a quest lasting several years for a suitable purchase in the US.

Although it comes at a time when parts of the US banking business are in very poor shape - and when other large foreign banks are divesting themselves of their US operations - it conforms to a new pattern of highly selective purchases on the US banking market.

Two reasons lie behind the Bank of Ireland's decision to make what at \$370m (£196m) is by far the largest purchase ever attempted by an Irish bank. The first - and Bank of Ireland would probably argue the less important - is to match its main rival, Allied Irish Banks. In 1983 Allied Irish acquired a \$150m stake in First Maryland, a bank near Washington DC, in a deal which has been a conspicuous success in the generally unhappy annals of foreign bank acquisitions in the US.

Although Allied has kept its stake just below 50 per cent, (to go higher would jeopardise First Maryland's right to form co-operation compacts with other banks in the region), the alliance has given Allied Irish a useful foothold in the US market and a new source of earnings.

More important, it marked a major step in Allied's strategy of expanding beyond the saturated and relatively slow-growing home market. This aim lies behind the similar strategy adopted for Bank of Ireland by Mr Mark Hely Hutchinson, its chief executive.

According to Mr Richard Keatinge, its London-based director, Bank of Ireland has the largest share of the Irish financial services market. The acquisition last year of a mortgage business in the UK was the first big step abroad. That raised non-Irish profits to just over 30 per cent of the total. The aim is to get that share closer to 50 per cent, which is what the New Hampshire deal will largely achieve.

One reason why Bank of Ireland took so long to make its US choice is that it sought a bank which met several criteria. It wanted a well-managed institution with a proven track record in a good state and of a size which it could absorb.

First NH Banks, with assets of \$2.5bn and 64 branches, is the largest bank in New Hampshire. It serves the local business and personal banking markets, and has insignificant exposure to problem borrowers, such as Third World countries, and the energy and agricultural sectors,

Mark Hely Hutchinson: growth beyond saturated home market

according to Bank of Ireland. Over the last five years, it has earned an average return on equity of 17.5 per cent, and assets have grown at a compound rate of 25 per cent a year.

One reason for choosing New Hampshire is that only New England banks may at present buy banks in that state. The Bank of Ireland qualifies because it will relocate its US operation from its New York home to New Hampshire. However, state legislation is being considered which would make it easier for out-of-state banks to come in, so Bank of Ireland sees itself beating the rush.

The purchase is unlikely to bring any synergistic benefits to the Bank of Ireland. But Mr Keatinge said that was not the purpose. "It's a good bank in a good state," he said, stressing that it would enlarge the Bank of Ireland group and give it a better spread of earnings. It intends to leave the existing management in place

Although Banca Commerciale Italiana's counterbid for Irving Trust of New York also announced yesterday underlines just how enticing the US market remains for European banks, Bank of Ireland's move has closer parallels. Most notable was National Westminster Bank's acquisition of First Jersey last year in an attempt by the clearer to establish itself in a regional market as opposed to one of the big money centres. Similarly, the recent decision by Royal Bank of Scotland to buy a \$300m bank in Rhode Island, another New England state, targets local markets.

Bank of Ireland will be paying 2.2 times book value for First NH Banks, which compares with 2.4 times paid by NatWest for First Jersey before the October market crash. Premiums of this order are considered acceptable for soundly managed banks in economically healthy states these days.

Mowlem lifts profits by 67%

BY DAVID WALLER

BUOYED by booming UK construction markets and a first full year's contribution from SGB, Mowlem achieved a 67 per cent increase in pre-tax profits in 1987, making £50.2m against £30.1m the previous year, on turnover up from £636m to £798m.

The growth in earnings per share, at 10.1 per cent, was more modest, reflecting the increased number of shares issued following the £160m acquisition of SGB, the UK's largest scaffolding company, in the Spring of 1986.

A final dividend of 12.25p per share makes 17.25p for the year, an overall increase of 8 per cent.

Profits from housebuilding rose from £6.7m to £10.1m, on turnover up by £7m to £67m. Building services made £13m on sales of £87m, against £7.6m on turnover of £45m for 7½ months of 1986.

The scaffolding business made £16.9m on £129m turnover (£9m on £73m turnover for 7½ months of 1986); construction profits doubled from £5m to £10m on turnover up £55m to £470m. Property development profits contributed a same-again £3m.

The London City airport, opened at the end of October and owned and operated by Mowlem, made a loss of £800,000. The temporary suspension of flights to Paris was only a hiccup, said Sir Philip. The project is not expected to make a profit before 1990.

● comment

No surprises here: the 67 per cent improvement in Mowlem's pre-tax figures was exactly in line with with City expectations. The true significance of the figures is not that Mowlem did well last year while trading conditions were buoyant – but that the company was correct to diversify away from contracting with the acquisition of SGB. Although construction profits appeared to double last year, accounting changes and a poor 1986 conceal a market where margin growth is constrained by fierce competition. The strongest performance came from the former SGB businesses: scaffolding, where Mowlem benefits from price inflation in the construction sector without having to sustain an equivalent increase in costs – and tool hire, where the HSS shops will continue to thrive on the DIY frenzy. London City Airport remains a joker in the pack, but the company should make a total of £56 to £57m this year, putting the shares on a prospective p/e of just over 9½. This represents a 10 per cent premium to the sector – one underpinned by a prospective yield of 6.

Expansion helps Tie Rack up to £2.66m

BY FIONA THOMPSON

MATCHING silk ties and suspenders helped Tie Rack boost 1987 profits by 44 per cent, said Mr Roy Bishko, chairman, showing his off. He hastened to add that he meant suspenders as the US knows them – braces to the British.

They contributed to an increased pre-tax profit figure of £2.66m (£1.84m) for the year to January 31 1988. Earnings per share rose from 4.60p to 5.07p.

It was a year of significant growth, said Mr Bishko. The number of shops had increased from 115 to 165 and Tie Rack was now in eight countries, with 114 shops in the UK.

This year would also be one of heavy expansion, Mr Bishko said. There were plans to open an additional 63 outlets, and it would not stop there. The US in particular would be targeted for major expansion.

Traditional British ties were extremely popular in North America, though, as in all the overseas outlets, 30 per cent of the ties were regional designs. "The Americans like their ties slightly wider at the top, more chunky and a little bit louder."

Tie Rack's aim this year was to continue setting up the necessary support systems and infrastructure for franchisees. Very strong central control was crucial, and the company would not franchise in markets abroad until this was set up.

Turnover rose from £16.89m to £29.78m and after-tax profits were boosted by an extraordinary credit of £414,000 – the interest on applications for shares at the heavily oversubscribed June 1987 flotation. Tax took £1.08m (£689,000). A maiden final dividend of 0.85p was recommended, making a total for the year of 1.21p.

● comment

These results were slightly disappointing and the shares closed 4p down at 134p. Though it looks like a good investment in the long term, the heavy expansion programme – with its consequent costs in staffing, building up a central management team structure and adequate stock control systems – has seen net margins eroded and they will probably drop further this year. That said, this sensible approach to setting up the infrastructure will clearly save tears later. The formula appears to be a winner and for those willing to wait, profits growth could be very substantial. At £4m for this year, the prospective p/e is about 19, high enough.

Guinness payment to Macfarlane

By Clay Harris

Guinness paid Sir Norman Macfarlane, its non-executive chairman, a one-time extra payment of £120,000 in 1987 "in consideration of his substantial additional involvement" last year, according to the brewing and spirits group's annual report, due to be published today.

Mr Tony Greener, chief executive of its United Distillers subsidiary since October last year, was also paid £280,000 by Guinness as compensation for the loss of share options at Dunhill Holdings, where he was formerly chief executive.

Sir Norman, who took over in January 1987 after the resignation of executive chairman Mr Ernest Saunders, also received fees of £77,773 as chairman and non-executive director.

Per diem, however, Sir Norman's total of more than £197,000 for the year failed to match the £11,000 Mr Saunders received until his resignation on January 9.

Mr Saunders' rate of pay also exceeded that of his successor as the group's highest paid director, Mr Anthony Tennant, chief executive from March 1987, who was paid £229,000. In contrast, Mr Saunders was paid £448,000 in the previous 15-month period.

The Guinness accounts received an unqualified audit from Price Waterhouse, although the accountants drew attention to possible legal actions.

These include the ruling by the Takeover Panel, that the purchaser of 3 per cent of Distillers shares near the close of the takeover bid had been acting in concert with Guinness, as well as other possible claims by Argyll Group and former Distillers shareholders.

Boosey & Hawkes in the black

By Patrick Daniel

Boosey & Hawkes, the brass band instrument manufacturer and music publisher which suffered three consecutive years of losses, has come marching back with a pre-tax profit of £973,000 for 1987.

But an extraordinary charge of £448,000, mainly to pay for an expensive law suit before European Community authorities, pulled down net attributable profits to £180,000.

The company declared a dividend of 3p for the year - its first since 1983. Earnings per share were 15.7p against a loss of 37.3p.

The turnround follows two years' of severe cost-cutting and improved efficiency, especially at its London factory in Edgware - introduced by Mr Ronald Asserson, the company's new chairman and chief executive who was appointed after the company plunged into its worst-ever pre-tax loss of £5m for 1985.

Boosey's legal problems arose after its near-monopoly in the UK was broken last year by a newcomer, Brass Band Instruments, launched by Southsea-based Gabriels Horn House, ironically Boosey's largest customer, and RCN, a specialist repairer of brass instruments in Luton.

The newcomers complained to EC competition authorities last summer that they were in imminent danger of being driven out of business because Boosey was refusing to supply them with its instruments. A peace agreement was eventually struck in March after Boosey was ordered by Brussels to resume its supplies.

Turnover was £41.2m (£40.4m).

LIT to buy another Chicago broker

BY ALEXANDER NICOLL

LIT Holdings, the London-based futures and options brokerage group, is to buy Goldberg, one of Chicago's best-known brokerage firms, which suffered badly in October's markets turmoil.

LIT, formerly known as London Investment Trust, is paying \$24m (£13m) for Goldberg. But the latter's three top executives, Mr David and Mr Robert Goldberg and Mr John Ruth, stand to receive a total of \$16.9m over the next five years - on top of their aggregate \$500,000 annual salary – depending on combined group earnings in North America.

LIT, which raised £21.5m through a one-for-one rights issue in January, also announced plans yesterday for a placing of partly-paid preference shares to raise an additional £14.6m.

James Capel is handling the placing, which is intended not to finance the latest acquisition but future purchases. LIT recently acquired a new management team, with Mr John Botts, former Citicorp executive, as non-executive chairman. It has ambitious expansion plans on both sides of the Atlantic. Both transactions require shareholder approval.

LIT's Shatkin subsidiary is already the largest clearing member of the Chicago Board of Trade with a 10 per cent share and will see this rise to 18 per cent of cleared trades. It will have about 9 per cent of the Chicago Mercantile Exchange and the same share of the Chicago Board Options Exchange.

Goldberg is 97 per cent owned by the Goldberg brothers, floor traders who founded the partnership in 1960. It had shown annual increases in profit and revenues for some years but last year suffered a pre-tax loss of \$1.8m after making a \$9m provision for bad and doubtful debts from customers and other third parties.

The company was understood to have been for sale before the crash, but its October problems reduced its price considerably. The purchase price is roughly equal to book value.

Mr Michael Middlemas, LIT chief executive, said both Shatkin and Goldberg had traded satisfactorily since the crash though he noted that volume in the trading pits for securities-related contracts and options had dropped while currency contracts had been active.

Mr David Goldberg will join LIT's board, and will receive five-year warrants to buy 3m LIT shares at 32p each. He, Mr Robert Goldberg – a former CBOT chairman – and Mr Ruth will also join the board of LIT America, which will group the company's North American interests. LIT shares fell 1p to 31p.

Peek may launch bid for Dubilier

By Andrew Hill

Peek, electronics and technology company, is believed to be planning a bid for Dubilier International, valuing the electronic component manufacturer at more than £100m. An announcement may be made this morning.

Dubilier asked for its shares to be suspended yesterday afternoon at 176p, up 14p. Peek shares put on 2p to close at 66p last night.

Mr Kenneth Maud, a South African industrialist, took control of Peek, then a shell company, in August 1986. He has made four strategic acquisitions since and three weeks ago announced record profits of £2.51m.

Dubilier surprised the City a month ago when it announced the £37m sale of Beswick, its circuit protection subsidiary, to Cooper Industries, a US electrical and industrial manufacturer.

Beazer extends Koppers offer and further extension likely

BY PHILIP COGGAN

Beazer, the UK housebuilding and construction group, yesterday extended once again its \$1.7bn offer for Koppers, the US aggregates and chemicals group. The tender offer will now expire on Friday, April 22; however the chances are that it will have to be extended again.

BNS, the specially created company which Beazer is using as a vehicle for its bid, now has valid tenders for the offer in respect of just over 4m shares, 14 per cent of the equity. It had already acquired a 7.3 per cent stake.

Most of the action in the bid is taking place in the US courts. Three separate cases are currently being heard in three different states.

In California, Koppers has been granted a preliminary injunction against the bid on anti-trust grounds. Beazer's appeal will be heard on May 13.

In Pittsburgh, Pennsylvania, Koppers has also been granted an injunction, pending certain disclosures by Beazer. The Beazer camp is preparing to submit information designed to satisfy the Pittsburgh court's findings.

Meanwhile in Delaware, Beazer is the plaintiff. The UK group is trying to nullify Koppers' "poison pill" defence. The judge is expected to give his opinion this week on the conditions that will need to be imposed if the "poison pill" provisions are lifted.

Baring covers eastern losses

BY NIKKI TAIT

Baring International Fund Managers is paying \$887,599 (£469,630) to China & Eastern Investment Company, a \$24m fund which was set up to invest primarily in China-related companies three years ago. The company is managed by BIFM, and the payment is to cover certain losses incurred at C & E during last October's collapse in world stock markets.

BIFM, part of the Baring merchant banking group, says the payment is to cover trading losses which "may have been caused by the exceeding of investment guidelines set out the company's prospectus.". Figures for the six months to end-January, released yesterday, show a net loss of \$1.91m from trading in dealing investments. This figure is scored after adding back the BIFM payment, so the total loss was almost \$2.8m.

Mr John Bolsover, chairman of China & Eastern, explained yesterday that the losses arose from heavy investment in Hang Seng futures contracts. At the time of the crash, these amounted to just over 10 per cent of company assets. The initial investment guidelines stated that "not more than 7.5 per cent of the company's gross assets will be put into any one investment."

Mr Bolsover said it was not entirely clear whether "one investment" implied a single corporate investment, for example, or an entity like Hang Seng futures. However, he added that a sub-committee of the board, had decided that there was a case for saying that the investment guidelines had been exceeded. Mr Jonathan Compton, who played a major role in the launch of the company and was responsible for these investments, has resigned.

Figures from C & E showed net asset value at \$1.4 per share by end-January, compared with \$1.88 a year earlier. At end-July, the figure was \$2.39. By end-January, liquidity had risen to 52.2 per cent, although further investments in Hong Kong and Japan have reduced this to 27.9 per cent by end-March. In the six-month period, there was a net loss before tax of \$1.73m.

Acquisitive EIS rises to £8.3m

BY ANDREW HILL

PROFITS AT EIS Group, diversified engineering company, rose by over 18 per cent to £8.3m before tax in the year to December 31, against £7m in 1986.

Flexibox International, fluid seal and power transmission coupling division, overcame adverse exchange rates and increased its pre-tax contribution to £2.8m (£2.4m) on sales of £24m (£23m). Aircraft and precision engineering raised profits to £2.5m (£2m) on turnover of £32m (£28m).

Interest receivable increased to nearly £1.1m (£617,000) as cash balances advanced by £1m to £13m, despite capital expenditure and the cost of financing sales growth, which together topped £11m. EIS also paid the final £1m instalment on the acquisition of Flexibox.

EIS has made five small acquisitions since the beginning of 1987. Mr Peter Haslehurst, chief executive, said the group was sharpening its teeth for further purchases in 1988.

Turnover was up to £87.9m (£79.5m). The tax charge rose from 36 per cent to 38 per cent, slightly checking growth in earnings per share which increased from 20.5p to 22.1p.

Operating profits at the process plant and machinery division were almost unchanged at £1.8m on sales up £4m at £32m. Mr Haslehurst said start-up and integration costs incurred at Floataire and Airpel Filtration had held back profits growth, although the existing subsidiaries had performed well.

The company said orders, sales and pre-tax profits for the first quarter of 1988 were all ahead of the equivalent period in 1987.

A final dividend of 6.15p is proposed, making 8.35p (7.5p) for the year.

● **comment**

EIS could teach the City a thing or two about patience. The company apparently considered the pros and cons of buying Flexibox for over four years before taking the plunge. This week is the second anniversary of the £9.5m rights issue on which the £13m cash balance is founded and if the long-heralded major purchase is anything like as shrewd as the Flexibox deal it should be worth waiting for. So while observers yearn for a headline-grabbing acquisition, investors can pass the time by considering EIS's careful cash management and wondering whether 17 successive years of record profits is cause for complaint. A major addition to the group might prove to be a catalyst for spectacular growth, but EIS should still make between £9.5m and £10m before tax this year, while enhancing profits with useful infill acquisitions. On a prospective multiple of about 10, the shares – which dropped 4p to close at 284p yesterday – are at a slight premium to the market, a reward for solid long-term growth.

GKN expansion

GKN, UK industrial group, plans to increase its already strong presence in the US automotive parts market by buying Mid-America Industries, parts distribution company, for \$15.7m (£8.25m).

An agreement in principle was announced yesterday between Mid-America and Parts Industries Corporation, GKN's wholly-owned parts subsidiary in the US.

The intended \$8.5 per share cash deal is so far supported by holders of 41.7 per cent of the issued shares. Mid-America has also granted an option to PIC to buy authorised but unissued shares representing 20 per cent of the issued equity.

Cap shares rise

Shares in Cap Group rose a further 1p to 388p yesterday on news that Cap Gemini Sogeti has acquired another 2.27m shares, raising its stake from just under 15 per cent to 20.6 per cent.

Broad Street loss midway

BY DAVID WALLER

Broad Street Group, the public relations company in which Mr James Gulliver holds a 10 per cent stake, suffered a £364,000 reversal in pre-tax profits for the six months to the end of October last year.

The group, of which the Scottish businessman became chairman in December last year, reported a pre-tax loss of £83,000, against a profit of £281,000 in the previous six months.

Operating profits for the period dropped from £318,000 to £5,000; special provisions relating to bad debts absorbed a further £200,000.

A spokesman for Broad Street said that the fall in operating profits reflected the costs of an abortive expansion into consumer PR and travel and leisure. Substantial expenses were incurred, but no business was generated.

The provisions arose as a result of a balance sheet review carried out by Mr Gulliver in December. New systems have been introduced and provisions made against all balances deemed to be irrecoverable.

Broad Street's shares gained 2p to close at 36p.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding div	Total for year	Total last year
Barlows	fin	0.75†	-	0.75‡	0.75	0.75‡
Chepstow Race.	fin	1	–	1	1	1
Cussins Prop.	fin	4.4	–	4	7.2	6.6
Ed'burgh Inv Tst	fin	2.5	-	2.27	4.15	3.75
EIS	fin	6.15	July 7	5.5	8.35	7.5
Hyman	fin	0.95	-	0.75	1.7	1.5
John Menzies	fin	4.15	-	3.15	5.8	4.65
Morgan Crucible	fin	5.4	July 1	5	10	9.2
Tharsis	fin	6	–	10.5	8	12.5
Tie Rack	fin	0.85	July 29	-	1.21	-
Top Value Inds.	fin	2	July 1	2.5	3	2.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ‡Adjusted for sub-division.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Humberside Electronic Controls, Regina Health and Beauty Products.

Finals- Laura Ashley, Bardsley, Bodycote Intl, CPU Computers, Conder, Ex-Lands, First Charlotte Assets Trust, Frost Group, Geers Gross, Gold & Base Metal, Hammerson Property, Hartons, Wm. Siddall, Taylor Woodrow, W.A. Holdings, Yule Catto.

FUTURE DATES

Interims-

Hawthorn Leslie	Apr 25

Finals-

Boot (Henry)	May 5
Eastern Produce	Apr 22
Plastic Construction	Apr 22
Triefus	Apr 26
Walker Greenbank	Apr 25

Magnet seeking buyer for Southerns

By David Waller

Magnet, the kitchen and bedroom furniture group, is seeking a buyer for Southerns-Evans, its timber merchanting subsidiary. Kleinwort Benson, the merchant bank, has been appointed to handle the disposal.

Analysts expect the disposal to raise between £70m and £100m. In the year to end-March, Southerns-Evans made profits before central costs of £9.5m on turnover of £97.5m, and at the year-end, capital employed stood at £50m.

The move, not unexpected by stockbrokers, is in line with Magnet's strategy of concentrating on its core activities of manufacturing and retailing home improvement and DIY products such as furniture and kitchens.

This strategy was developed by Mr Tom Duxbury, who was appointed chairman of what was then called Magnet & Southerns in 1985 – 10 years after the merger of Magnet and Southerns-Evans. He said yesterday that Southerns, which has been extensively rationalised in the past two years, was no longer central to the group and would be more valuable to a timber company.

He said he had received two informal approaches from would-be buyers, but declined to name them. Brokers mentioned the following as potential buyers: Hillsdown Holdings through its Hunter subsidiary; Sandell Perkins and Meyer International.

Mr Duxbury declared that the proposed sale was not prompted by any need to strengthen Magnet's balance sheet. Although capital expenditure amounted to £55m in the financial year just finished, the company currently has no gearing.

In July, Magnet is expected to report pre-tax profits of £53m for last year, compared to £44.2m in 1986-87 and £26.05m the year before. Last October, brokers were forecasting profits of £70m but cut their forecasts back after it emerged that the company had suffered difficult trading conditions in June.

Inoco moves to USM with Rowland stake up at 47%

BY CLAY HARRIS

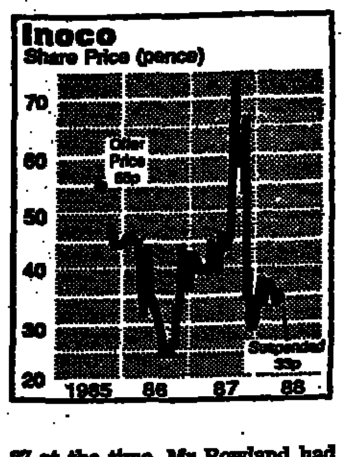
MR DAVID ROWLAND, the one-time 1970s stock market whiz-kid, is to inject the rest of his property assets into Inoco, the former oil company now reborn as a property investment group. The deal will increase the stake held by Mr Rowland's offshore Monaco Group Fund to 46.5 per cent from 18.8 per cent.

Inoco is to pay £31.2m in cash and issue £14m in shares for Monaco's portfolio of 38 UK and three overseas properties. The portfolio has a market value of £48.6m; taking borrowings into account, Inoco's net assets will increase by £13m.

The transaction will require Inoco to relinquish its full listing and move to the Unlisted Securities Market.

Nevertheless, the deal will give Mr Rowland his first publicly quoted vehicle since Williams Hudson – the diversified property and distribution company of which he owned 95 per cent – was liquidated in 1982.

In the 1970s, however, Williams Hudson took strategic stakes in a number of companies, most famously a 28.7 per cent holding in the Vickers engineering group in the summer of 1973. Aged only 27 at the time, Mr Rowland had already been a millionaire for five years.



Mr David Hudd, chairman and chief executive, said yesterday that Inoco would not become involved in any high-risk projects of the sort which proved the undoing of Williams Hudson.

Mr Rowland, already Inoco deputy chairman, will work three days a week for the company under a new service contract. Like his investment group, Mr Rowland is based in Monaco.

At yesterday's suspension price of 33p, Inoco has a market value of £28.1m. It came to market with an offer for sale at 55p in October 1985, although the shares failed to trade at or above that level until 18 months later.

Inoco was created to take over a US company owning oil and gas interests in Colombia and in the US states of Texas, Louisiana and Ohio.

In May 1986, it withdrew a £21m all-paper bid for Petranol, another exploration and production company, after the Takeover Panel said it would have to introduce a cash alternative. The disposal of its oil interests, apart from equity investments, was completed last year.

Monaco will seek a waiver of the requirement that it make a general offer to all shareholders. Of the 60m shares it would hold after the deal, it promised to retain at least 50m until March 1989 and 44m until September 1989.

If the transaction is approved, Mr Peter Ryan, a former executive director of Thomas Tilling, is to join the Inoco board as a non-executive director.

Oliver Jessel behind Belvoir capital injection

BY PHILIP COGGAN

Belvoir Petroleum, a small over-the-counter oil company, hopes to join the stock market within the next two years following a capital injection masterminded by Mr Oliver Jessel, the former head of 1970s crash victim Jessel Securities.

Mr Jessel has arranged a scheme whereby Belvoir will acquire the vessel MV Nassau Pride from Graig Shipping. The purchase price of $7m will be satisfied by the issue of Belvoir shares which will then be placed by Standard Financial, a company controlled by Mr Jessel and Mr Jonathan Rosen.

The cash flow from the Nassau Pride, estimated to be around $14,000 a day, will be used by Belvoir as a base for expansion. "As a result of these proposals" said Mr Jessel, "Belvoir will receive a substantial injection of new funds which will be used to rebuild the company into a business with oil, shipping and property interests"

Weak dollar takes toll on Tharsis

Currency fluctuations and the weakness of the dollar were the main factors behind a sharp reduction in profits at Tharsis.

The Glasgow-based pyrites exporter and land developer reported taxable profits for 1987 of £535,000, down from the previous year's £1.81m.

Turnover fell to £5.45m (£6.45m) and earnings per share came out at 15.89p (52.16p). The directors are proposing a cut in the final payment to 6p (10.5p) making a total of 8p (12.5p).

COMPANY NEWS IN BRIEF

APV, through its subsidiary APV Crepaco, is paying £1.4m for Promco, Torquay-based maker of complete ice cream manufacturing systems. Price is subject to an upwards adjustment dependent on future profits.

BRITISH ISLAND AIRWAYS: Directors are to recommend a final dividend of 2p per share for the year to December 31 1987.

CAIRD GROUP, environmental services and property company, has secured control of Atlas Clensol and made a full offer which values the chemicals supplier and industrial cleaning group at £616,000. Atlas Clensol reported pre-tax profits of £94,000 on turnover of £2.8m in 1987.

DAWSON INTERNATIONAL is selling its Reinhold knitwear subsidiary to a company formed by Mr Bernard Reinhold, its managing director, his son Richard and several institutional investors. The consideration is said to represent less than 2 per cent of Dawson's net assets.

KNOBS & KNOCKERS has acquired Bentley's (Estate Agents) for an initial payment of £20,000 cash and 110,000 shares. There will a further profit-related cash payment to a maximum of £250,000. Following completion 20 per cent will be sold to Mr Neil Stone, a director of Bargets, Knobs & Knockers existing estate agency.

NORCROS has acquired a freight forwarding company and a packaging business to complement is export operations. Peters & May and Acland Packaging have a combined turnover of £4m and net assets of £109,000.

NORTHERN ENGINEERING Industries: Shareholders told that there had been an encouraging start to the year with orders ahead of last year.

PORTALS HOLDINGS' subsidiary, Portals Engineering, is paying up to £500,000 for Sortaweigh, supplier of computerised in–line weight grading and classification equipment for the fresh and frozen food industry.

SPRING RAM CORPORATION has started the present year well, the annual meeting was told, and order books were at record levels. The group remained poised to take advantage of increased capacity coming on-stream in the second half of the year.

TRILION is to sell its leasehold interest in part of the building known as 1 Great Pulteney St, 36–44 Brewer St and 1–5 Lexington St, London, to Brent Walker Group and to sell certain related equipment to Goldcrest Films and TV, a wholly–owned subsidiary of Brent Walker. Consideration is £100,000 and £160,000, in cash, respectively.

Explaura turns in nearly £0.1m profit

Explaura Holdings reported taxable profits for 1987 of £98,615 compared with losses in the previous year of £407,662.

The company added that there had been considerable activity in advancing the Newfoundland limestone project to meet the target of beginning production in the second quarter of the present year.

The directors said that mineral claims had recently been staked in three areas including the company's grants on Gander river. The claims covered a total of 28,000 acres.

Earnings per 5p share for this company which came to the USM in September 1987 were 0.66p (losses 0.57p). Tax took £43,000 (£139) and there was an extraordinary credit of £821 against a debit last time of £86,146. Last time there were minorities credits of £16,418.

Edinburgh Invest. Trust moves ahead

Gross income at Edinburgh Investment Trust rose from £24.69m to £25.91m in the year to March 31 1988. Pre-tax profits also rose marginally from £15.88m to £16.72m. After tax of £4.85m (£4.64m) earnings came out at 4.13p (3.9p).

The directors said that at the end of January the company was fully invested and this position had been maintained since. A final dividend of 2.5p is recommended, for a total of 4.15p (3.75p).

SHARE STAKES

The following changes in company share stakes were reported during the past week:

Geest – Parkview has sold 1,596,418 ordinary, thereby reducing its interest to 10,116,826 ordinary (14.6 per cent). S R Coltman and F Jeffery have sold 228,060 ordinary, thereby reducing their interest to 4,487,613 ordinary (6.5 per cent).

Arthur Wood & Son – Mr Anthony F Wood, chairman, purchased 50,000 ordinary from the Wood family discretionary trust on March 31 1988 at 120½p. He now holds 13.55 per cent.

J H Woodington – Abacus Capital Fund has purchased 845,888 ordinary, and its total is now 1,065,965 ordinary (29.9 per cent).

Yelverton Investments – Mr R Q Hoare, a director, has acquired a holding of 75,000 ordinary at 27p per share.

UK COMPANY NEWS

Menzies meets estimates with £26m

BY VANESSA HOULDER

John Menzies, newsagent, newspaper wholesaler and toy retailer, increased pre-tax profits for 1987 by 15 per cent to £26.2m. The result, which matched City forecasts, was scored on turnover 18 per cent higher at £671.9m.

Following News International's introduction of a franchising system in January, Menzies has been renegotiating its contracts with major customers including News International, Associated Newspapers, Mirror Group, Daily Telegraph and IPC. Menzies said yesterday that it hoped that the resulting cut in margins would be offset by an increase in market share, and overall it expected its wholesaling profits to remain static this year.

The increasing expansion in retail activities is causing profits to swing to the second half of the year and the mid term results will not indicate the trend in profits for the full year, for which they expect another satisfactory result.

The wholesale division, which accounted for about half the business, had a good year helped by buoyant demand for qualitynewspapers and a number of women's magazine launches.

The company's retailing chains, John Menzies, Early Learning Centres and Hammick's, which was acquired in November, all experienced good trading and successful Christmas sales. Menzies has now exchanged contracts with the Martin Retail Group for the 66 retail stores that will effectively double selling space in England.

The Early Learning chain performed exceptionally well in the UK but newly opened stores in the US suffered from a drop in retail demand. The expansion in the US to 80 stores by the end of the year will make more efficient use of their overheads.

Terry Blood and Universal Office Supplies produced excellent profits but John Menzies Library Services was hampered by currency fluctations.

Earnings per share increased by 18 per cent to 29.4p. A final dividend of 4.15p per share is recommended, making a total of 5.8p per share (4.65p) – an increase of 25 per cent.

● comment

Considering the rush of publishers to follow Murdoch and put their wholesale business out to tender, Menzies looks set to come out relatively unscathed. For one thing,its Scottish heartland should escape the worst of the disruption and for another,it is winning some Sunday business – with its comparatively high margins – from the independents. So, despite the general cut in margins, profits from wholesaling – after reorganisation costs – should be static this year, and show respectable improvements the year after. With the prospect of solid growth from the retail businesses, analysts are expecting pre-tax profits of £28.5m for the year. But the shares have had a good run since the budget and at 387p, on a rating of 12, there is little to go for in the short term.

Top Value up 23% to £1.8m

Record profits were again reported by Top Value Industries, expanding Manchester-based clothing manufacturer.

Taking in Continental Textiles, acquired last September, on a merger accounting basis, pre-tax profits expanded 23 per cent to £1.75m on turnover up from £14.09m to £17.05m. After tax of £470,000 (£421,000), earnings per 10p share worked through at 10.64p compared with 8.85p last time.

The directors are recommending a final dividend of 2p, making 3p for the year (2.5p).

Lord Barnett, chairman, said that both Continental and leatherwear supplier David Conrad exceeded budget. Henriques continued to supply customers from outside production and small profits were made, although there was little prospect of growth. The manufacturing operation had now been closed, he added.

The stock market crash put a damper on Top Value's acquisitive ambitions, but with cash reserves of £3.6m at the year end and other sources of financing available, Lord Barnett said that the group was now in a "strong position to absorb another suitable company."

Barlows back in the black with £43,000

Barlows, commercial property manager and developer, reported a return to profit for 1987. The taxable surplus of £43,000 compared with last year's loss of £38,000. Group turnover edged up from £292,000 to £295,000.

The acquisition in November of north-west-based Avenue Group for a total consideration of £8.05m has provided Barlows with a mix of investment trading and development opportunities with good potential for further appreciation.

Avenue is a property investor, developer and trader.

At the same time Barlows divided its existing £1 ordinary shares into 10 ordinary shares of 10p each.

Extraordinary items after tax brought in a credit of £277,000 as against a debit of £45,000 for 1986. Prior to the extraordinaries, earnings per £1 share came out at 0.25p (1.21p adjusted) whereas after they were 2.57p (2.76p adjusted). The directors proposed a final dividend of 0.75p (7.5p, 0.75p adjusted).

Rank to pay £48m for US video duplication interests

BY NIKKI TAIT

Rank Organisation, the leisure and entertainments group, is to pay $90m (£47.6m) for the video duplication interests owned jointly by Columbia Pictures Entertainment, Paramount Pictures Corporation and Bell & Howell, the US educational publisher. Rank will also assume BHCP Video's bank debt, taking the effective purchase price to about $120m.

An outline of the deal came to light at the end of March, when Bell & Howell – which is subject to a $678m leveraged buyout – filed certain papers with the US authorities. However, the formal agreement to the acquire the company has now been signed and the purchase price settled.

BHCP has about 32 per cent of the American video duplication market, while Rank operates the largest video duplication business in Europe. After the acquisition, Rank will have more than a third of the world market. BHCP's business is concentrated on the core video duplication operations, but it also has interests in the manufacture of blank cassettes and in the sale of pre-recorded cassettes to the retail market.

BHCP's sales in the year to January 2, 1988 are not being disclosed. However, Rank says that pre-tax profits in the year were $12.5m, and that net assets stood at $52.6m after net bank debt of $22.8m. The figure for net bank debt, however, may have risen slightly since the start of the year – taking the cost to Rank nearer to $120m.

Rank said yesterday that there were "considerable synergistic benefits" from the deal – both in terms of customer service and in buying power, which should bring down raw material costs.

BHCP Video is Rank's second major US deal this year. In March, it announced the $180m purchase of Anhert Enterprises, a leading American caravan park operator.

Ketson on target

Ketson, the revamped shell of the old Glanfield Lawrence property and motor dealer, is on target with a turnaround to a pre-tax profit of £495,000 for 1987 compared with a loss of £94,000 previously.

Turnover was up from £6.64m to £9.27m. No dividend has been declared.

Tax charged £125,000 (£75,000); extraordinary credit £1.4m (loss £1.2m).

Earnings per share 3.8p (2.2p), with a net asset value per share of 35p.

Allied Textile

Allied Textile, one of the largest companies in the Yorkshire wool industry, yesterday announced that it has increased its holding in Hugh Mackay, carpet manufacturer, to 1.74m shares or 29.15 per cent of the equity. Allied has held a stake in Mackay for several years, but in recent months has increased its holding.

Hyman profit shows advance

Despite an 11 per cent fall in turnover from £36.37m to £32.44m, Hyman, polyurethane foam converter and manufacturer, achieved pre-tax profits of £1.92m for 1987 against £1.61m previously.

There was an extraordinary debit relating to the writing off of goodwill together with a realised loss on currency converted of £328,903 (£179,194 debit).

Earnings per 5p share came out at 4.19p (3.66p) and a final dividend of 0.95p is proposed, for a total of 1.7p (1.5p).

Sibec reconstruction

BY PAUL CHEESERIGHT,PROPERTY CORRESPONDENT

Sibec Developments, the privately-owned property company controlled by Mr Michael Birchall, has just completed a capital reconstruction which is a prelude to a market quotation next year.

The effect of the capital reconstruction is to bring all the equity in Sibec on-shore. Mr Birchall himself and seven London investing institutions have purchased from Hudson Conway Properties of Melbourne 43 per cent of Sibec's equity for £22.4m.

Sibec is a retail property developer with a £500m development programme underway in the UK, Belgium and Spain. It made pre-tax profits in 1987 of £5.15m, and expects to pass £10m this year following pre-tax earnings of more than £5m in the first quarter. In 1989 it is expecting pre-tax profits of around £16m.

Hudson Conway bought into Sibec at a cost of £22m just before the crash. Subsequently it indicated to Mr Birchall that, if he could put a package togather, it would be prepared to surrender its stake.

Mr Birchall, who has built up Sibec since 1979, now has a personal stake in the company of 53 per cent.

Chepstow Racecourse

Chepstow Racecourse raised pre–tax profits from £26,204 to £40,424 in 1987, on increased turnover of £998,197, against£746,065.

After tax of £9,250 (£10,100) earnings per share grewto 6.55p (3.56p). The dividend is maintained at 1p.

Queens Moat £16m property purchases

BY CLAY HARRIS

Queens Moat Houses, UK provincial and continental European hotel chain, plans to pay £15.5m to buy two additional properties and to build a third.

In Britain, Queens Moat is to acquire the Charlecote Pheasant Country Hotel, a 60-bedroom three-star facility near Stratford-upon-Avon, where it already has two hotels.

The group will build a 100-bedroom hotel with conference and leisure facilities in the centre of Leuven, near Brussels. Its Bilderberg subsidiary is also negotiating to buy the freehold of the 157-room four-star Park Hotel in Rotterdam.

The transactions will be financed through Queens Moat's £300m multi-option loan facility.

American concert party criticises Crescent Japan

The American concert party which has built up a 20.9 per cent interest in £116m investment trust, Crescent Japan, and is seeking unitisation, has written again to shareholders, criticising the recent performance record and arguing that the management contract with Edinburgh Fund Managers is "one of the most restrictive and potentially expensive" in the sector.

The concert party calculates that the maximum potential termination cost at Crescent works out at 3.75 per cent of assets – around £4.35m. The next highest figure at a specialist Japanese trust would be 3 per cent, it says. Although Crescent's recently-increased annual charge of 0.75 per cent is not exceptional, the contract also runs for lengthy five year term.

The battle over the unitisation proposal, firmly rejected by Crescent, will come to a head this Friday when shareholders vote on the concert party's motion at an egm.

Turriff £2m expansion

Turriff Corporation has made three acquisitions which will expand two of its four divisions. The purchase of Australian-based Chelgrave will extend the international plant and equipment maintenance division's operations to the State of Victoria, where it is presently not represented. Consideration is £240,000 cash plus two further fixed payments each of £60,000.

Turriff is enlarging its information and marketing services side with the acquisition of Focus Marketing and also through a 40 per cent interest in New York –based MicroMedia Information Systems with options on the remaining 60 per cent.

Consideration for Focus is £330,000 cash, with two further payments based on Focus's turnover in the next two years. The cost for the MicroMedia stake is £562,000 cash with a further amount of up to £541,000 dependent on its 1988 pre-tax profits.

Cussins Property

A strong performance by its commercial division and a sharp fall in interest charges helped Cussins Property raise pre–tax profits by £0.45m to £1.85m in 1987, on turnover of £8.83m, against £8.06m.

Tax charge was higher at £415,000 (£95,000) giving earnings per 20p share of 21.6p (22.7p). The final dividend is 4.4p for a total of 7.2p (6.6p).Net asset value at December 31 1987 was 2.52p per share.

EC farm reform shows signs of faltering

By Tim Dickson in Luxembourg

FIRST SIGNS that the new momentum of common agricultural policy reform may falter in the current farm price negotiations were emerging in Luxembourg last night.

The setback when 10 of Europe's 12 Agriculture Ministers voiced their opposition to the European Commission's proposal to halve the level of so-called monthly increments – the additional payments which are made to grain producers who delay selling their output to the community's intervention stores

Commission officials and certain diplomats say that this was accepted implicitly during the discussions which led to the successful February Summit of EC heads of government and which resulted in the implementation of budget stabilisers for the cereal sector and other commodity regimes. But no binding commitment was made at any stage by farm ministers or prime ministers.

Halving monthly increments – which are currently set at ECU 2 per tonne for ordinary wheat and ECU 2.7 for durum wheat – would effectively reduce farm support prices by between 1½ and 2 per cent. Many member states argued yesterday, however, that by doing so the community would run the risk that the payments would not in future fulfil the function for which they were designed, namely, encouraging farmers to find a market outlet for their grain. Only Britain and Holland supported the Commission's case.

Another row was brewing, meanwhile, over the maximum permitted moisture content for cereals going into intervention. The Commission wants to fix the level at 14.5 per cent but certain northern European countries, notably West Germany, argue that the wet winter has imposed additional drying costs on producers.

The Brussels authorities point out that productivity is higher in northern Europe and that grain must be of a certain standard to attract customers on the world market.

EC Farm Ministers are today expected to discuss the rest of the prices package – in most sectors the Commission has proposed a freeze – but in view of the forthcoming French elections no final decisions are likely this week.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium standard	+5,100	to 31,650
Aluminium high grade	+2,875	to 25,100
Copper grade A	−5,325	to 47,950
Lead	+2,250	to 25,450
Nickel	−288	to 2,790
Zinc	−425	to 34,425
Tin	−225	to 18,100
Silver (oz)	−206,000	to 18,050,000

Indonesia promises to clear illegal prospectors from goldfields

BY JOHN MURRAY BROWN IN JAKARTA

INDONESIA IS to take action against thousands of illegal prospecters who threaten to disrupt the country's bid to become a major gold producer by the turn of the century.

The Government has assured foreign mining companies which have invested millions of dollars in exploration that the estimated 100,000 illegal miners will be cleared by the beginning of July. The Mines Ministry has also said that until the problem is resolved, no new licences will be issued except for the frontier province of Irian Jaya.

Local mining operations are nothing new. In Kalimantan, now the main area of foreign interest, Indian tribes have been panning gold for centuries. According to unofficial estimates around 3 tonnes a year is smuggled out to buyers in Hong Kong.

"If it was just a question of the local panners the companies would not worry," says a foreign geologist in Jakarta. He adds that to date every gold deposit in Kalimantan has been first discovered by local prospectors.

But the forest clearing by logging concessionaires and now the mining companies has resulted in a huge influx of illegal operators, many of them using sophisticated pump and battery equipment financed and supplied by local businessmen. "These people are concentrating on hard rock, working the high grade areas which could upset the economics of those foreign contractors who rely on average grades," says an Australian mines director.

Around 100 contracts have been signed in the last two years following the Government's move to improve the investment climate for foreign mining companies. Most large mining houses are represented, including BP of the UK, CRA of Australia, and Newmont and Pennzoil of the US.

This week will see the first production at an alluvial site in Kalimantan developed by Pelsart Resources and Jason Mining of Australia. Grades are said to be as high as 250 milligrams per cubic metre.

On many blocks alluvial deposits are expected to provide much early output, providing companies with the cash flow to tackle the more expensive but richer hard-rock gold. Foreign companies say Indonesia could produce around 50 tonnes within 10 years, which compares with current output of 3 tonnes.

The government is already reaping the benefits with investment in the sector boosted by 55 per cent last year to $137m.

Miners look to jewellery trade for renewed sparkle

BY KENNETH GOODING, MINING CORRESPONDENT

IT IS not only the world's jewellery industry that is hoping to get some clear signs from the European Clock and Jewellery Fair, which is packing Basle in Switzerland to capacity this week.

Gold mining companies around the world will also be monitoring the outcome of the fair and the size of the order books it produces because jewellery provides the cornerstone of demand for their product.

In the past 15 years jewellery has absorbed about 13,000 tonnes of gold, or 57 per cent of all the gold mined in that time.

The jewellery makers are using considerably less than in the hey-day, between 1978 and 1980, when they took up to 1,200 tonnes a year. Currently they account for about 800 tonnes a year. But that is still nearly 60 per cent of the gold produced.

There have been confusing signals about the health of the world's gold jewellery industry following the crash in stock markets last October. So the Basle Fair, the most important of its kind in the world, takes on even more significance this year.

About 87,000 visitors are expected to attend the fair and three quarters of them will be professionals. "We know the buyers are here because the hotels are full to overflowing. But will they be placing orders? – that's the big question," says Mr Henry Schaeren, chairman of the exhibitors' committee.

The Italian jewellers are in the best position to judge world trends from a European viewpoint. They dominate the industry and turn more than 200 tonnes of gold a year into jewellery, far ahead of the West Germans (about 30 tonnes and Switzerland (20 tonnes).

Italy had a reasonable year in 1987 and used between 210 tonnes and 215 tonnes of gold, down from 223 tonnes in 1986.

But the omens are not particularly good so far this year.

According to Mr Patrizio Taddia, export manager for the Balestra company, one of the world's largest suppliers of gold chain, demand for gold jewellery in Western Europe has remained steady but has become much more competitive.

European manufacturers have been driven to concentrate more on their domestic market because of poor demand in several key overseas territories and because of the weakness in the value of the US dollar, the most widely-used trading currency.

The US is also by far most important market for gold jewellery and for the Italians who supply about 90 per cent of the 110 to 130 tonnes sold there each year.

Mr Taddia says that, although the economic indicators give no hint of any recession in the US, consumers are buying "sensible" items such as furniture and new cars. They are apparently reluctant to put their money into luxury items like jewellery because of the uncertainties about what economic conditions will be like in 1989 after the presidential election.

Another problem for the Europeans is that the US jewellery trade over-stocked deliberately in 1985-86 when the dollar was strong and consequently today is willing to pay only very low prices – and in some cases is failing to pay at all for the goods that have been delivered, thus putting considerable financial strain on suppliers.

Demand for gold jewellery has almost dried up in Latin America because of the international debt problems of countries in that region, he says. And the Middle East is not as flush with oil money as it used to be.

However, Far East demand is strong, particularly in Hong Kong, the "gateway" to many other markets in the area.

Japan is a relatively new market but one which is taking to gold jewellery at a rapid rate. Sales have been growing at an annual 60 per cent.

Mr Taddia says, however, that Italy supplied only 10 tonnes of the 75 tonnes of gold jewellery bought by the Japanese last year and, the worst news of all, the buoyancy of demand has prompted the Ministry of International Trade and Industry to encourage Japanese companies to go into the business.

This represents a major threat to the Europeans in three to five years time as the Japanese follow Hong Kong and Taiwan (where West German jewellers have taken their technology by setting up several joint ventures) into world gold jewellery export markets.

The French and German industries, like the Italians, are well aware of the developments and offer the same potential solution. "We will never be able to compete on price with the Far Eastern manufacturers, but we can stay ahead in quality and creativity of design", says Mr Alfred Schneider, director of the West German Gold and Silverware Industries Association.

However, harmonisation of standards throughout the European Community might well play into the hands of the new, lower-cost suppliers of gold jewellery.

At present European countries' minimum standards for the gold used ranges from only 8 carat (one-third gold content) in West Germany to 18 carat (75 per cent gold content) in both Italy and France.

The French say 8 and 9 carat gold (the UK minimum standard) should really be described as "noble copper" because it is about two-thirds copper. "If you have two-thirds of Perrier water and one-third Champagne, you do not call the resulting drink Champagne", points out Mr Henri Arthus Bertrand, president of the Confederation of French Jewellery Manufacturers.

But he admits that France and Italy will probably have to accept a lower standard under the terms of Community harmonisation.

While this might not be good for the Europeans, because more opportunities will be provided for low-cost gold jewellery imports from the Far East, a change to lower gold content would probably bring a bonus for the gold producers.

The availability of low-cost 9 carat gold has boosted sales of gold in jewellery in the UK to more than 25 tonnes a year, two or three tonnes ahead of France where the minimum standard is 18 carat.

Best of all, from the miners' viewpoint, much 9 carat jewellery is the "throwaway" type and there is absolutely no danger of the gold content coming back onto the market one day.

BRITAIN'S precious metals market is continuing to expand.

Assay Office figures released yesterday showed that while the number of gold items hallmarked in the UK during the first quarter of 1988 only rose only 0.6 per cent from the same period last year to 3.4m, their weight increased by 21.3 per cent to 12.3m grams.

Of this total the figures showed 2.6m were British items weighing 8.64 mln grams.

Silver items marked were 11.8 per cent up on 1987 at some 868,318 items and their weight was 14.6 per cent higher at 12,565 grams. Platinum articles were 13.1 per cent up at 2,018 with weight up 38.8 per cent at 13,675 grams.

An Assay Offices official commented "the figures continue to support the general upward trend of jewellery sales . . . 1987 was the best year for hallmarked articles for eight years and all indications suggest that 1988 will be even better."

Non-Communist World Consumption of Gold in Jewellery

	1988(f)	1987(e)	1986(e)	1985
Western Europe	310.0	285.0	337.5	344.0
Far East	180.0	165.0	166.5	184.8
Indian sub-continent	120.0	125.0	108.0	144.9
North America	90.0	95.0	91.6	88.5
Middle East	85.0	100.0	84.6	108.8
Others	30.0	30.0	39.5	26.9
Total	815.0	800.0	827.7	897.9

e = estimated, f = forecast. Source: Consolidated Gold Fields, Shearson Lehman Estimates

Gafta launches clearing house

BY DAVID BLACKWELL

THE GRAIN and Feed Trade Association's new clearing house, which has been given the green light to become a Recognised Clearing House under the Financial Services Act, came into operation yesterday.

Gafta, which has had a clearing house since before 1929 when the association was formed, has restructured the operation as a wholly-owned subsidiary company to be known as the Gafta Clearing House Company. The Securities and Investment Board, which is responsible for the regulation of London's markets under the Act, said it would probably recognise the new company formally next week, once some technical amendments had been made to the regulations.

The clearing house will provide clearing operations for the New Grain Futures Market under the new regulations. The NGFM will be incorporated into the Baltic Futures Exchange.

The exchange – a Recognised Investment Exchange – was formed last December by the merger of the Soyabean Meal Futures Association, the London Potato Futures Association, the London Meat Futures Exchange, and the Baltic International Freight Futures Market, known as Biffex. These four markets clear their contracts with the International Commodities Clearing House.

Gafta has provided £75,000 for the purchase of debentures in the Baltic Futures Exchange to enable the New Grain Futures Market to participate in the exchange. The staff from Gafta's futures department have been transferred to the BFE.

Gafta is also providing working capital and a bank guarantee for £1m to ensure adequate financial resources for the clearing house company.

Mr J. Mackie, director general of Gafta, said the association would maintain its involvement with the grain futures market through the clearing house and the management of the stores administration. This was "something which many will agree is in the best interests of all in what remains London's most trade-orientated futures market," he said.

"Gafta is proud of its long association with the Grain Futures Market and the part it has played in sponsoring other agricultural futures markets, and we naturally wish the NGFM continuing success under its new structure.

"However, we must regret the loosening of our very strong links with the market and we recognise that the loss of such an important department and practical source of revenue will necessarily involve a major reappraisal of Gafta's role and activities," said Mr Mackie.

Malaysian Minister defends 'sound' forestry management policy

BY DAVID BLACKWELL

MALAYSIA yesterday defended itself against conservationist claims that its logging industry is a threat to the existence of the country's tropical rainforests.

Dr Lim Keng Yaik, Minister for Primary Industries, said that Malaysia prided itself on being "a country which has a sound forestry policy, and our forest management systems are among the best in the tropical world."

He was in London as head of a delegation to Europe to promote Malaysian timber and seek investment in its timber industry. It was also "exchanging views with concerned groups regarding forestry management in Malaysia."

Friends of the Earth, the UK conservation group, said in a statement delivered to the delegation that it commended the Malaysian Government for its efforts to develop responsible forest management policies. But the group would "continue to challenge its claims that these policies are being implemented on the ground."

The group is urging Malaysia to back a tropical hardwood code of conduct to ensure that only sustainably produced timber is traded worldwide.

Dr Lim admitted that Malaysian management of its forest was not perfect as the tropical forest "is one of the most, if not the most, complex ecosystems in the world." But he argued that the harvesting of timber from tropical forests was a complex issue, and one area where the International Tropical Timber Organisation, which meets again in June, could play an important role.

Last year Malaysia exported 1.37 cubic metres of timber and timber products worth US$390m to the EC, which is one of its most important markets, accounting for 13 per cent of the total timber exports.

Exploiting the tropical rainforest was second only to the oil and gas sector in importance to Malaysia's economy, said Dr Lim, earning 6.8bn ringgit or 15.2 per cent of export earnings last year, and giving jobs to 150,000 people, or 3 per cent of the working population.

The most misunderstood aspect of the country's timber industry was its logging policy, according to Dr Lim. "Figures have been quoted to show that Peninsula Malaysia is left with only 10 per cent virgin jungle and that Sarawak will have lost all her forests by the 1990s."

But out of a total land area of 33m hectares, 61 per cent or 20.4m hectares were under forest, he said.

● The World Wildlife Fund is to launch a £2.5m campaign next month to save what it describes as Africa's oldest rainforest at Korup in Cameroon.

The organisation has moved the conservation of tropical forests to the top of its list of priorities. An area of forest the size of Austria is being destroyed every year, according to the WWF, and at current rates of destruction only about 5 per cent of the world's tropical forest will be left in 50 years time.

But by using new conservation techniques which meet the needs of local people, the Fund believes it can save key sites and protect the genetic diversity contained within them. Korup – about 300,000 acres, or the size of Greater London – is more than 30m years old and contains the most number of different plant species of any remaining African rainforest, with more than 400 types of tree as well as a quarter of all African monkey species and 250 kinds of birds.

The Fund aims to set Korup up as a genetic nursery and storehouse, with a 1m acre buffer zone around the key site to provide the needs of the local people.

WORLD COMMODITIES PRICES

LONDON MARKETS

ALUMINIUM prices fell early in anticipation of a rise in stocks at LME warehouses. Stocks of both grades of the metal rose by a total of 7,975 tonnes to 56,750 tonnes, and high grade cash aluminium added a further fall of $80 a tonne to the $495 fall last week, leaving it at $2,310 a tonne at the close. Copper prices also continued to decline, affected as was aluminium by the strength of sterling against the dollar. Currency factors were the main reason for a £26 a tonne fall in the price of three-month robusta coffee, which closed at £1,109 a tonne – only just above a fresh 5½ year low. Meanwhile the Biffex dry freight futures contract continued its precipitous decline from recent highs, with the July position shedding a further 66 points to add to the 137 point fall of last week. It closed at 1,315 points following widespread liquidation of long positions reflecting the weakness of the physical market.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.90-5.95z	+0.625
Brent Blend	$17.60-7.55w	+0.45
W.T.I.(1 pm est)	$18.80-8.85w	+0.40
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$185-188	+2.5
Gas Oil (Soviet)	$157-159	+4
Heavy Fuel Oil	$88-90	+5
Naphtha	$162-165	+4
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$459.25	+3.00
Silver (per troy oz)♣	650c	+1
Platinum (per troy oz)	$544.75	-1.50
Palladium (per troy oz)	$125.00	+1.25
Aluminium (free market)	$2335	-115
Copper (US Producer)	104⅝-107c	+2
Lead (US Producer)	35.5c	
Nickel (free market)	770c	-20
Tin (European free market)	£3630	-10
Tin (Kuala Lumpur market)	17.32r	-0.08
Tin (New York)	320.5c	
Zinc (Euro. Prod. Price)	$1000	
Zinc (US Prime Western)	51⅛c	
Cattle (live weight)†	110.68p	-0.28*
Sheep (dead weight)†	202.97p	-15.94*
Pigs (live weight)†	88.07p	-1.01*
London daily sugar (raw)	$224.4s	+1.8
London daily sugar (white)	$239.0s	+1.0
Tate and Lyle export price	£224.5	
Barley (English feed)	£107.5	+1.0
Maize (US No. 3 yellow)	£133.0	
Wheat (US Dark Northern)	£92.0u	
Rubber (spot)♥	64.50p	-1.00
Rubber (May) ♥	66.50p	-1.00
Rubber (June) ♥	66.75p	-1.00
Rubber (KL RSS No 1 Mar)	308.0mw	-1.5
Coconut oil (Philippines)§	$530s	
Palm Oil (Malaysian)§	$387.5t	
Copra (Philippines)§	$360	
Soyabeans (US)	£160.5w	-1.5
Cotton "A" index	65.75c	-0.45
Wooltops (64s Super)	600p	-5

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-May. u-Apr/May. x-May/Sep. y-Apr. t-Jun. s-May/Jun. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian/Singapore cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
May	878	885	881	873
Jly	892	898	896	885
Sep	910	917	913	905
Dec	933	938	936	927
Mar	954	961	959	950
May	973	979	979	973
Jul	992	998	998	990

Turnover: 2291 (3893) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for April 18 : 1194.19 (1192.42). 10 day average for April 19 : 1176.15 (1175.00).

COFFEE £/tonne

	Close	Previous	High/Low	
May	1086	1114	1107	1085
Jly	1109	1135	1130	1106
Sep	1128	1152	1146	1125
Nov	1147	1172	1165	1149
Jan	1173	1193	1186	1169
Mar	1193	1212	1208	
May	1213	1230		

Turnover: 1919 (2887) lots of 5 tonnes. ICO indicator prices (US cents per pound) for April 15: Comp. daily 1979 117.67 (116.87); 15 day average 116.87 (116.78).

SUGAR $ per tonne

Raw	Close	Previous	High/Low	
May	194.40	192.60	194.20	191.80
Aug	194.40	192.80	194.00	192.20
Oct	194.60	192.80	194.60	192.80
Dec	193.60	192.00		
Mar	196.00	195.40	194.40	194.00
May	197.40	196.00	195.40	195.00

White	Close	Previous	High/Low	
Aug	236.50	236.50	236.50	235.00
Oct	236.00	236.00	235.00	234.50
Dec	235.00	235.50	234.00	
Mar	236.50	238.00		
May	239.50	240.00		

Turnover: Raw 3692 (4220) lots of 50 tonnes; White 896 (2757). Paris- White (FFr per tonne): Aug 1335, Oct 1325, Dec 1335, Mar 1350, May 1355, Aug 1365

GAS OIL $/tonne

	Close	Previous	High/Low	
May	154.50	149.25	155.75	150.25
Jun	150.50	146.50	152.00	147.25
Jul	149.50	145.00	150.00	145.50
Aug	147.50	145.25	147.50	
Sep	147.25	147.00	147.25	

Turnover: 8059 (6008) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
May	103.25	103.60	103.35	103.20
Jly	105.50	105.95	105.50	105.40
Sep	101.25	101.25	101.25	
Nov	103.10	103.00	103.10	
Jan	105.70	105.60	105.70	
Mar	107.65	107.55	107.65	
May	109.70	109.60	109.70	

Barley	Close	Previous	High/Low	
May	103.50	104.15	103.50	103.40
Sep	98.20	98.25	98.20	98.05
Nov	100.85	100.75	100.85	
Jan	102.90	102.80	102.90	
Mar	104.56	104.45	104.55	

Turnover: Wheat 47 (218), Barley 24 (26) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	2305-15	2380-400		2330-40		
3 months	2140-45	2180-90		2160-70	2130-50	4,143 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 26,275 tonne
Cash	1216-20	1256-8	1255/1220	1241-3		
3 months	1116-7	1145-6	1147/1108	1131-3	1114-5	80,345 lots
Copper, Grade A (£ per tonne)						Ring turnover 63,000 tonne
Cash	1207-9	1221-3	1239/1234	1233-5		
3 months	1131-2	1148-6.5	1160/1115	1158-60	1118-20	70,626 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1160-70	1175-85		1185-95		
3 months	1095-105	1110-20		1125-35		13 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	646-9	645-8		646-7		
3 months	657-60	656-9		658-60	657-62	673 lots
Lead (£ per tonne)						Ring turnover 8,650 tonne
Cash	330-1	339-40	334	333-4		
3 months	323-4	330-1	332/322	324.5-5	321-2	11,290 lots
Nickel ($ per tonne)						Ring turnover 720 tonne
Cash	18300-500	17300-600	17200/16800	16800-900		
3 months	13900-4000	14400-500	14400/13900	14100-200	13800-14000	7,408 lots
Zinc (£ per tonne)						Ring turnover 6,550 tonne
Cash	562-3	560-1	564.5	564-4.5		
3 months	547-8	553-3.5	552/546	548-9	546-7	16,553 lots

POTATOES £/tonne

	Close	Previous	High/Low	
May	90.30	96.60	94.50	89.50
Nov	87.40	89.50	88.00	87.40
Feb	96.80	96.80		
Apr	127.70	130.20	129.00	127.00
May	137.50	139.00		

Turnover: 272 (265) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Jun	128.00		
Aug	126.50	128.50	126.50
Oct	128.00	129.00	128.00
Dec	131.00		131.00

Turnover: 175 (286) lots of 100 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Apr	1470.0	1489.0	1483.0	1465.0
Jly	1315.0	1381.0	1380.0	1315.0
Oct	1363.0	1417.0	1405.0	1355.0
Jan	1360.0	1402.0	1390.0	1355.0
Apr	1430.0	1480.0	1430.0	
Jul	1290.0	1355.0	1290.0	
Oct	1330.0	1337.5	1330.0	
BFI	1519.0	1527.5	1519.0	

Turnover: 1062 (902)

TEA

There were 29899 packages on offer in this week's sale including 6600 in the offshore section, reports the Tea Brokers Association. The few Assams on offer were mainly several pence easier while Bangladesh teas met limited demand and lost 4-6p. Selected best East Africans held valuation but mediums were 4-6p down. Central Africans received fair support though prices were barely steady. Ceylons came in for selected enquiry and shed 3-5p. In the offshore auction Kenya teas were generally 8p lower, other growths about steady but there were some withdrawals. Quotations: quality NQ (NQ), medium 108p, (114p), low medium 86p (86p).

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	459-459½	241½-242
Opening	456¾-457¼	241¼-241¾
Morning fix	457.55	241.387
Afternoon fix	458.00	241.714
Day's high	460¼-460¾	
Day's low	456½-457	
Coins	**$ price**	**£ equivalent**
US Eagle	473-478	249-252
Mapleleaf	473-478	249-252
Britannia	473-478	249-252
Krugerrand	457¼-460¼	241-243
1/2 Krug	235-244	123¼-128
1/4 Krug	116-124	61-65
Angel	468-473	245¼-248¼
1/10 Angel	46-51	24¼-26¾
New Sov.	108-109	57-57¼
Old Sov.	108-109½	57-58
Noble Plat	556¼-582¼	293¼-296½

Silver fix	p/fine oz	US cts equiv
Spot	342.75	649.50
3 months	349.10	660.65
6 months	355.90	672.30
12 months	371.25	698.90

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	July	May	July
2000	301	226	7	91
2150	177	146	32	161
2300	86	92	91	253
Aluminium (99.5%)	**Calls**		**Puts**	
2000	284	209	11	96
2150	165	134	42	169
2300	81	82	107	265
Copper (Grade A)	**Calls**		**Puts**	
2000	246	219	7	99
2150	128	144	37	171
2300	50	90	109	284

US MARKETS

THE PRECIOUS METAL MARKETS rallied in response to a weaker dollar and uncertainty concerning the situation in the gulf following overnight reports of conflict, reports Drexel Burnham Lambert. Trade, local and commission house buying rallied prices, but, as the markets failed to penetrate overhead resistance, profittaking and local long-liquidation touched-off stops to ease prices. Copper eased reflecting disappointment at the markets failure to capitalize on last week's gains. Technical selling and long-liquidation contributed to the decline. Energy futures also reacted to the situation in the gulf, good trade, commission house and technical buying sustained rallies in all the markets, with spread activity also a feature. Local profittaking was noted at the highs. Coffee eased under pressure from long-liquidation in the May contract. Sugar underwent a late rally on trade and commission house buying while cocoa was marginally firm reflecting the weaker U.S. dollar. The meats were lower across the board, cattle, pork bellies and hogs all fell in line with eroding cash markets.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Apr	459.4	456.9	462.0	459.0
Jun	461.7	458.5	464.0	461.3
Aug	466.5	463.2	469.0	466.0
Oct	471.5	468.1	474.5	471.0
Dec	476.5	473.0	479.0	476.0
Feb	481.7	478.1	484.0	482.5
Apr	487.2	483.5	487.5	487.5
Jun	492.9	489.1	495.0	495.0
Aug	498.9	495.0	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	538.5	540.9	547.0	540.0
Jul	541.8	543.4	552.0	539.0
Oct	547.5	548.9	557.0	548.0
Jan	553.8	556.2	562.0	553.0
Apr	560.2	561.6	0	0
Jul	567.2	568.6	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Apr	642.2	645.5	0	0
May	644.0	647.5	656.0	643.0
Jun	648.6	652.0	0	0
Jul	653.0	656.3	666.0	652.1
Sep	661.5	664.8	673.0	660.0
Dec	675.0	677.8	687.0	675.0
Jan	679.1	681.8	0	0
Mar	688.5	691.2	697.0	694.5
May	698.3	701.0	705.0	705.0
Jul	708.7	711.4	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	96.60	98.50	96.60	96.60
May	95.70	97.45	98.10	95.10
Jun	93.30	94.90	0	0
Jul	90.90	92.40	92.80	90.60
Sep	87.60	88.80	89.00	87.40
Dec	83.50	184.50	86.00	83.30
Jan	82.65	183.65	0	0
Mar	81.00	182.00	0	0
May	79.50	780.50	0	0
Jul	78.65	79.65	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
May	18.80	18.37	18.92	18.70
Jun	18.74	18.29	18.84	18.62
Jul	18.62	18.18	18.71	18.51
Aug	18.52	18.08	18.57	18.41
Sep	18.43	18.00	18.48	18.33
Oct	18.35	17.93	18.40	18.25
Nov	18.24	17.86	18.29	18.19
Dec	18.20	17.79	18.21	18.10
Feb	18.00	17.67	18.10	18.00

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
May	50.75	49.75	51.25	50.25
Jun	49.55	48.44	49.80	49.04
Jul	49.20	48.11	49.40	48.70
Oct	50.70	49.79	50.70	50.50
Nov	51.40	50.39	51.40	50.75
Dec	52.00	51.04	52.00	51.25

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	1507	1505	1522	1505
Jul	1547	1543	1554	1541
Sep	1575	1570	1583	1571
Dec	1613	1610	1620	1612
Mar	1646	1643	1655	1648
May	1674	1667	1683	1673
Jul	1699	1695	1706	1695
Sep	1728	1725	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	135.17	135.90	135.60	134.65
Jul	137.39	137.71	137.70	136.80
Sep	139.00	139.54	139.50	138.60
Dec	140.75	141.70	141.60	140.75
Mar	142.13	142.86	142.50	141.90
May	143.00	144.00	143.50	143.00
Jul	144.13	145.00	0	0
Sep	145.25	146.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	8.66	8.60	8.67	8.54
Jul	8.69	8.61	8.70	8.58
Oct	8.73	8.67	8.74	8.60
Jan	8.78	8.66	0	0
Mar	8.76	8.68	8.76	8.64
May	8.61	8.72	8.72	8.72
Jul	8.85	8.77	8.85	8.80

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	62.70	62.72	63.20	62.10
Jul	59.62	60.04	60.70	59.56
Oct	55.75	0	55.75	55.65
Dec	54.70	55.64	55.60	54.60
Mar	55.70	56.47	56.45	55.60
May	56.55	57.05	56.75	56.55

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	172.00	170.00	172.00	170.10
Jul	169.40	168.70	170.00	168.70
Sep	165.75	163.80	165.75	163.80
Nov	159.70	157.30	160.00	158.00
Jan	155.45	154.05	155.45	154.50
Mar	154.65	154.05	154.45	154.45
May	154.65	154.05	0	0
Jul	154.65	154.05	0	0
Sep	154.65	154.05	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Apr 15	Apr 14	mnth ago	yr ago
1786.4	1788.8	1718.9	1565.1

DOW JONES (Base: December 31 1974 = 100)

Spot	129.56	129.78	129.35
Futures	133.22	133.38	132.93

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	666/0	662/4	667/0	659/4
Jul	675/6	671/0	676/4	669/0
Aug	679/2	673/4	679/4	672/4
Sep	681/4	674/4	682/0	674/0
Nov	690/4	684/4	691/0	682/0
Jan	698/2	692/4	699/0	690/0
Mar	706/4	700/4	706/4	698/4
May	712/0	706/0	0	0
Jul	713/6	708/4	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	21.63	21.41	21.64	21.40
Jul	22.02	21.81	22.04	21.81
Aug	22.23	21.95	22.23	21.98
Sep	22.35	22.03	22.35	22.10
Oct	22.42	22.15	22.43	22.30
Dec	22.71	22.50	22.73	22.50
Jan	22.67	22.45	22.70	22.65
Mar	22.62	22.40	22.60	22.66
May	22.62	22.42	22.60	22.65
Jul	22.62	22.42	22.60	22.65

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	197.3	196.1	197.5	194.8
Jul	198.1	197.2	198.7	195.8
Aug	198.1	198.1	199.3	196.9
Sep	200.0	198.5	200.5	198.5
Oct	201.1	199.5	201.5	199.5
Dec	204.7	203.1	205.0	202.5
Jan	205.5	203.5	205.5	203.0
Mar	208.7	206.7	208.5	209.0
May	210.5	208.7	210.5	209.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	203/6	202/6	203/6	202/0
Jul	211/4	210/4	211/6	209/2
Sep	216/6	215/4	216/6	214/4
Dec	224/4	222/6	224/4	222/0
Mar	232/4	231/0	232/4	230/0
May	236/2	235/6	236/2	235/0
Jul	238/4	238/0	0	0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	311/2	312/6	312/6	309/0
Jul	320/6	322/0	322/2	317/6
Sep	328/2	329/4	329/0	325/2
Dec	338/6	339/4	339/0	335/6
Mar	343/4	344/4	343/4	341/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	74.10	73.97	74.27	73.70
Jun	69.85	70.12	70.22	69.37
Aug	66.42	66.87	67.10	66.00
Oct	65.55	66.10	66.10	65.10
Dec	66.60	67.32	67.30	66.40
Feb	66.05	66.82	66.85	66.05
Apr	68.00	68.25	68.00	68.00

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	44.80	44.70	44.95	44.25
Jun	49.20	49.70	50.05	49.00
Jul	48.92	49.25	49.75	48.70
Aug	46.82	46.92	47.35	46.72
Oct	43.00	42.97	43.30	42.75
Dec	43.80	43.80	44.10	43.80
Feb	43.97	43.90	44.00	43.97
Apr	41.65	41.55	41.80	41.52

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
May	51.65	52.05	52.45	51.60
Jul	52.17	52.50	52.92	52.10
Aug	51.20	51.42	51.85	51.15
Feb	60.05	60.15	60.75	60.00

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Further surge by the pound

STERLING MOVED further towards the centre of the stage yesterday, but the dollar refused bow out, and remained under the spotlight.

Demand for the pound continued to build up, as speculative money looked for gains in sterling, after the disappointment of the February US trade figures last week.

Rising oil prices, on news of a flare up between the US and Iran in the Gulf, added to sterling's attraction.

The pound rose to its highest level for over six years against the dollar, and to the highest since July 1986 against the D-Mark.

Dealers said the Bank of England may have intervened from time to time, but only as a smoothing operation.

There was a tendency to take profits just ahead of the time the Bank of England intervened to provide liquidity for the London money market, but then the pound moved ahead again when the central bank failed to signal a cut in UK bank base rates.

Sterling finished the day 1.55 cents higher against the dollar at $1.9050, and broke through DM3.15, to close at DM3.1550, compared with DM3.1375 on Friday.

The pound also rose to Y236.25 from Y234.00; to SFr2.61 from SFr2.5925; and to FFr10.72 from FFr10.6425.

According to the Bank of England sterling's exchange rate index rose 0.4 to 78.7.

A quiet day for the dollar appeared to be in prospect, as dealers could find no reason to buy the currency but were nervous of co-ordinated central bank intervention.

News broke of a US strike against Iranian oil platforms before European markets began trading, but the market only began to react when it was announced that Iran had retaliated by attacking a US run platform in the Gulf.

This was quickly followed by a confirmed report of an Iranian attack on a British flagged tanker, and by a US claim of a direct hit on an Iranian ship by a missile from a US frigate.

As news from the Gulf arrived, dealers rushed to cover short dollar positions, but economic fundamentals soon returned to the fore, with dealers regarding the recovery as an opportunity to sell.

After touching DM1.66[illegible], the dollar fell back to close around the day's low at DM1.66[illegible], compared with DM1.6605 on Friday.

It also declined to SFr1.3705, from SFr1.3720 before the weekend, and to FFr5.62[illegible] from FFr5.6325, but rose to Y124.00 from Y123.85.

On Bank of England figures the dollar's index was unchanged at 92.1.

D-MARK - Trading range against the dollar in 1987/88 is 1.9305 to 1.5740. March average 1.6766. Exchange rate index 149.1 against 146.9 six months ago.

The D-Mark closed unchanged against the dollar in Frankfurt, after a nervous day, when the fear of central bank intervention to support the dollar, and the clashes between the US and Iran in the Gulf offset the general wish to sell the US currency.

The dollar closed unchanged at DM1.6615, without any sign of open market intervention by the Bundesbank.

The Bundesbank did not intervene when the dollar was fixed at DM1.6621 in Frankfurt, compared with DM1.6643 on Friday.

JAPANESE YEN - Trading range against the dollar in 1987/88 is 159.45 to 121.35. March average 127.98. Exchange rate index 245.7 against 222.0 six months ago.

The yen closed firmer against the dollar in Tokyo. Dealers suspected the Bank of Japan may have intervened on a small scale to support the US currency at around Y123.75. The dollar closed at Y123.80, compared with Y124.15 on Friday.

£ IN NEW YORK

Apr.18	Latest	Previous Close
£ Spot	1.9000-1.9010	1.8890-1.8900
1 month	0.17-0.15pm	0.15-0.13pm
3 months	0.49-0.45pm	0.48-0.45pm
12 months	1.95-1.85pm	1.92-1.88pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Apr.18	Previous
8.30	am	78.5	77.9
9.00	am	78.6	78.0
10.00	am	78.6	78.2
11.00	am	78.5	78.2
Noon		78.6	78.1
1.00	pm	78.7	78.2
2.00	pm	78.7	78.3
3.00	pm	78.6	78.3
4.00	pm	78.7	78.3

CURRENCY RATES

Apr.18	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.737236	0.659459
U.S Dollar	6	1.38652	1.25066
Canadian $	8.75	1.71013	1.53858
Austrian Sch.	3	16.2154	14.5865
Belgian Franc	6½	48.2925	43.4543
Danish Krone	7½	8.86680	7.99174
Deutsche Mark	2½	2.30759	2.07610
Neth Guilder	3¾	2.58863	2.32861
French Franc	9½	7.82795	7.05249
Italian Lira	12½	1712.77	1542.69
Japanese Yen	2½	171.928	155.220
Norway Krone	8	8.58741	7.68721
Spanish Peseta	-	153.676	137.636
Swedish Krona	7½	8.13471	7.31388
Swiss Franc	2½	1.90577	1.71591
Greek Drach.	20½	184.963	166.851
Irish Punt	-	0.863123	0.777196

*All SDR rates for Apr.15

CURRENCY MOVEMENTS

Apr.18	Bank of England Index	Morgan** Guaranty Changes %
Sterling	78.7	-14.9
U.S Dollar	92.1	-14.7
Canadian Dollar	81.1	-5.3
Austrian Schilling	140.2	+10.6
Belgian Franc	100.5	-5.9
Danish Krone	92.7	+1.5
Deutsche Mark	149.1	+22.7
Swiss Franc	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French Franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100 Bank of England Index (Base Average 1975=100) [illegible]

OTHER CURRENCIES

	£	$
Korea(Sth)	1393.25-1405.85	739.90-7[illegible]
Kuwait	0.51630-0.51680	0.27265-0.[illegible]275
Luxembourg	66.05-66.15	34.65-[illegible]
Malaysia	4.8635-4.8795	2.5660-2.[illegible]
Mexico	4309.95-4331.20	2275.00-[illegible]
N. Zealand	2.8775-2.8830	1.5185-1.5205
Saudi Ar.	7.1025-7.3085	3.7500-3.7510
Singapore	3.7915-3.7975	2.0010-2.0030
S. Af (Cm)	4.0365-4.0530	2.1320-2.1350
S. Af (Fn)	5.4390-5.5745	2.8690-2.9410
Taiwan	54.10-54.40	28.60-28.70
U.A.E.	6.9555-6.9615	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Apr.18	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	[illegible]582	43.4543	+2.35	+0.97	±1.5344
Danish Krone	[illegible]212	7.99174	+1.78	+0.40	±1.5404
German D-Mark	[illegible]853	2.07610	+0.85	-0.53	±1.0981
French Franc	[illegible]0403	7.05249	+2.15	-0.77	±1.3674
Dutch Guilder	[illegible]1943	2.32861	+0.40	-0.98	±1.5012
Irish Punt	[illegible]8411	0.777196	+1.14	-0.24	±1.6684
Italian Lira	[illegible]483.58	1542.69	+3.98	+3.15	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT-FORWARD AGAINST THE POUND

April 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8910-1.9055	1.9045-1.9055	0.12-0.09cpm	0.66	0.28-0.23pm	0.54
Canada	2.3305-2.[illegible]475	2.3440-2.3450	0.15-0.24cdis	-1.00	0.62-0.75dis	-1.17
Netherlands	3.52-3.[illegible]4½	3.53½-3.54½	1½-⅞cpm	3.39	3¾-3pm	3.01
Belgium	65.70-[illegible].20	66.05-66.15	20-2cpm	2.00	43-21pm	1.98
Denmark	12.07¾-[illegible].16¼	12.15¼-12.16¼	1¼-3oredis	-2.16	3⅞-5⅞dis	-1.60
Ireland	1.1755-1.1820	1.1805-1.1815	0.12-0.22cdis	-1.73	0.22-0.37dis	-1.00
W. Germany	3.14-[illegible].16	3.15¼-3.15¾	1½-1¼pfpm	4.52	3⅞-3¼pm	4.52
Portugal	256.5[illegible]-259.00	257.92-259.01	72-121cdis	-4.48	240-349dis	-4.56
Spain	208.3[illegible]-209.97	209.48-209.97	29-50cdis	-2.26	107-134dis	-2.30
Italy	2332-2348¾	2346½-2347½	2-7liredis	-2.30	13-20dis	-2.81
Norway	11.65-11.71½	11.70½-11.71½	5¼-6¾oredis	-6.08	17¼-18¾dis	-6.11
France	10.65-10.73	10.71½-10.72½	⅜pm-⅜cdis	-0.70	½-1¼dis	-0.42
Sweden	11.0[illegible]-11.13	11.12-11.13	1¼-2¼oredis	-2.02	4¼-5¾dis	-1.73
Japan	23[illegible]-236¼	235¾-236¾	1¼-1¼ypm	5.08	2⅞-2pm	3.92
Austria	2[illegible]-22.21	22.18-22.21	7¾-6¾gropm	3.89	22¾-19½pm	3.76
Switzerland	2.[illegible]-2.61½	2.60½-2.61½	1½-1cpm	5.75	4⅛-3½pm	5.84

Belgian rate is convertible francs. Financial franc 66.50-66.60. Six-month forward dollar 0.52-0.47cpm 12 month 1.10-1.00cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

April 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8910-1.9055	1.9045-1.9055	0.12-0.09cpm	0.66	0.28-0.23pm	0.54
Ireland†	1.6055-1.6115	1.6090-1.6100	0.12-0.22cdis	-1.27	0.22-0.37dis	-0.73
Canada	1.2295-1.2330	1.2315-1.2325	0.16-0.18cdis	-1.66	0.51-0.54dis	-1.71
Netherlands	1.8575-1.8670	1.8580-1.8590	0.47-0.45cpm	2.96	1.47-1.43pm	3.11
Belgium	34.65-34.85	34.65-34.75	5-2cpm	1.21	12-8pm	1.15
Denmark	6.37¼-6.41	6.38-6.38½	1.10-1.70oredis	-2.62	3.20-3.80dis	-2.19
W. Germany	1.6560-1.6640	1.6560-1.6570	0.52-0.49pfpm	3.65	1.59-1.54pm	3.77
Portugal	135¾-136¼	135¾-136	40-90cdis	-5.74	150-250dis	-5.89
Spain	110.00-110.55	110.10-110.20	22-32cdis	-2.94	75-85dis	-2.90
Italy	1229-1236	1231¼-1232¼	2.50-3.50liredis	-2.93	10.10-12.10dis	-3.59
Norway	6.14¼-6.17	6.14½-6.15	3.35-3.70oredis	-6.87	10.35-10.75dis	-6.85
France	5.62-5.64¾	5.62½-5.63	0.35-0.55cdis	-0.96	1.30-1.50dis	-0.99
Sweden	5.83¼-5.85	5.83¼-5.84¼	1.15-1.35oredis	-2.56	3.35-3.85dis	-2.46
Japan	123.70-124.55	123.95-124.05	0.35-0.30ypm	3.14	1.00-0.95pm	3.14
Austria	11.64-11.68½	11.66-11.66½	3.50-2.50gropm	3.08	10.00-8.00pm	3.08
Switzerland	1.3680-1.3755	1.3700-1.3710	0.60-0.55cpm	5.02	1.78-1.73pm	5.11

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 34.90-35.00.

EURO-CURRENCY INTEREST RATES

April 18	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	8½-8¼	8¾-8½	8¼-7⅞	8-7⅞	8⅛-8⅜	8⅞-8⅝
US Dollar	6¾-6⅝	6⅞-6⅝	7-6⅞	7⅛-7⅛	7⅜-7¼	7⅞-7⅝
Can. Dollar	8⅝-8⅜	8⅝-8⅜	8⅞-8⅝	8⅞-8⅝	9⅛-8⅞	9⅜-9⅛
D. Guilder	4-3⅞	4-3⅞	3⅞-3¾	4-3⅞	4⅛-4	4⅛-4⅛
Sw. Franc	2-1⅞	1⅞-1⅝	1⅞-1⅝	2-1⅞	2⅛-2⅛	2⅜-2⅛
Deutschmark	3⅛-3⅛	3⅛-3⅛	3⅛-3⅛	3⅜-3⅛	3⅝-3⅜	3⅝-3⅜

Long term Eurodollars: two years 8⅛-8¼ per cent; three years 8⅝-8½ per cent; four years 9-8⅞ per cent; five years 9⅛-9 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Apr 18	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.905	3.155	236.0	10.72	2.610	3.540	2347	2.345	66.10
$	0.525	1	1.656	123.9	5.627	1.370	1.858	1232	1.231	34.70
DM	0.317	0.604	1	74.80	3.398	0.827	1.122	743.9	0.743	20.95
YEN	4.232	8.062	13.36	1000.	45.37	11.05	14.98	9932	9.925	280.0
F Fr.	0.933	1.777	2.943	220.4	10.	2.435	3.302	2189	2.188	61.66
S Fr.	0.383	0.730	1.209	90.54	4.107	1	1.356	899.2	0.898	25.33
H Fl.	0.282	0.538	0.891	66.75	3.028	0.737	1	663.0	0.662	18.67
Lira	0.426	0.812	1.344	100.7	4.568	1.112	1.508	1000.	0.999	28.16
C $	0.426	0.812	1.345	100.8	4.571	1.113	1.510	1001	1	28.19
B Fr.	1.513	2.882	4.773	357.5	16.22	3.949	5.355	3552	3.548	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Attention on short sterling

ATTENTION WAS on the short end of the sterling market on Liffe yesterday.

Traders saw further possible gains in three-month sterling deposit futures, but little more mileage in the long gilt contract.

The fight against inflation is regarded as the UK Government's priority at present, and for this reason dealers believe the pound may be allowed to rise a little further on the foreign exchanges.

Traders also suggested that rising oil prices might alter the authorities' calculations on how far the pound could be allowed to climb, before interest rates should be cut.

On this basis it was argued that the short sterling contract may move up to around 92.05 to 92.10, although at this level it would be discounting another cut in base rates.

June three-month sterling deposits opened firm at 91.80 on Liffe, and rose to 91.87, before closing at 91.86, compared with 91.68 on Friday.

Volume in short sterling futures was virtually the same as in long gilts. Turnover in short sterling options was a record 2,901, compared with 2,510 on February 8, with volume running at over double the usual level, compared with futures.

The level of business in the long gilt was very disappointing, at around 12,000 contracts.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
116	661	—	1	—
118	501	—	5	—
120	312	—	16	—
122	144	—	48	—
124	47	—	151	—
126	16	—	320	—
128	5	—	509	—

Estimated volume total, Calls 2922 Puts 1029
Previous day's open int. Calls 37218 Puts 27797

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
82	636	—	8	—
84	450	503	22	139
86	307	348	43	220
88	148	240	120	312
90	51	147	223	419
92	22	106	358	542
94	10	44	546	716

Estimated volume total, Calls 20 Puts 141
Previous day's open int. Calls 2989 Puts 944

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Apr	Calls-settlements MAY	Puts-settlements Apr	Puts-settlements MAY
16500	1338	1403	0	73
17000	838	997	8	167
17500	403	660	73	330
18000	124	404	294	574
18500	21	227	691	897
19000	2	117	1172	1287
19500	0	55	1670	1725

Estimated volume total, Calls 0 Puts 10
Previous day's open int. Calls 55 Puts 149

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements MAY	Calls-settlements Jun	Puts-settlements MAY	Puts-settlements Jun
175	1495	1495	1	9
180	995	1020	9	43
185	547	616	61	139
190	221	316	235	339
195	60	134	574	657
200	—	—	—	—
205	—	—	—	—

Estimated volume total, Calls 22 Puts 10
Previous day's open int. Calls 213 Puts 181

LIFFE EURODOLLAR OPTIONS
£1m points of 100%

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
9150	96	83	1	20
9175	73	65	3	27
9200	52	49	7	36
9225	34	36	14	48
9250	20	25	25	62
9275	10	17	40	79
9300	6	11	61	98

Estimated volume total, Calls 50 Puts 65
Previous day's open int. Calls 3069 Puts 2743

LIFFE SHORT STERLING

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
9100	87	56	1	15
9125	63	41	2	25
9150	42	26	6	35
9175	24	17	13	51
9200	13	10	27	69
9225	6	5	45	89
9250	2	—	66	—

Estimated volume total, Calls 2385 Puts 672
Previous day's open int. Calls 4474 Puts 2874

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls May	Calls Jun	Calls July	Calls Sep	Puts May	Puts Jun	Puts July	Puts Sep
1.750	14.45	14.45	-	14.90	0.05	0.10	-	1.05
1.775	11.95	12.00	-	12.80	0.05	0.20	-	1.45
1.800	9.45	9.70	10.15	10.90	-	0.45	1.30	2.05
1.825	7.05	7.60	8.20	9.15	0.20	0.80	1.60	2.70
1.850	4.90	5.70	6.45	7.50	0.50	1.40	2.25	3.60
1.875	3.05	2.45	4.95	6.10	1.25	2.20	3.15	4.60
1.900	1.65	2.80	3.50	4.90	2.15	3.35	4.40	5.90

Previous day's open int: Calls 466,374 Puts 470,039
Previous day's volume: Calls 23,045 Puts 18,111

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
1.60	-	23.80	-	24.20	-	0.50	-	1.20
1.65	-	18.65	-	19.05	-	1.30	-	1.80
1.70	15.60	15.70	-	16.40	0.30	0.55	-	1.50
1.75	10.60	13.40	12.90	12.70	0.30	0.80	1.00	2.50
1.80	6.10	6.70	10.35	7.35	0.30	1.65	1.30	2.40
1.85	5.10	6.00	6.70	6.95	0.85	2.55	2.60	4.05
1.90	2.05	2.45	3.95	4.60	2.75	6.60	4.85	8.05

Estimated volume total, Calls N/A Puts N/A
Previous day's open int: Calls 592 Puts 637

LONDON (LIFFE)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

7-10 YEAR 9% NOTIONAL GILT £50,000 32nds of 100%

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

THREE MONTH STERLING £500,000 points of 100%

FT-SE 100 INDEX £25 per full index point

THREE MONTH EURODOLLAR £1m points of 100%

US TREASURY BONDS 8% $100,000 32nds of 100%

CURRENCY FUTURES

LIFFE-STERLING £25,000 $ per £

POUND-$ (FOREIGN EXCHANGE)

IMM-STERLING Se per £

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

JAPANESE YEN (IMM) Y12.5m $ per Y100

DEUTSCHE MARK (IMM) DM125,000 $ per DM

U.S. TREASURY BILLS (IMM) $1m points of 100%

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Jun	0.7338	0.7350	0.7337	0.7348
Sep	0.7437	0.7452	0.7437	0.7448
Dec	0.7545	0.7550	0.7545	0.7549
Mar	0.7635	0.7635	-	0.7649

STANDARD & POORS 500 INDEX $500 times index

	Latest	High	Low	Prev.
Jun	258.60	258.70	257.95	258.80
Sep	260.40	260.40	259.50	260.60
Dec	261.80	-	261.30	262.30
Mar	263.40	-	263.10	264.10

MONEY MARKETS

London rates fall

INTEREST RATES fell on the London money market yesterday, as dealers waited to see if sterling's rise to DM3.15 would prompt a signal for another cut in UK bank base rates from the Bank of England.

Three-month interbank fell to 8-7⅞ p.c. from 8-8⅛ p.c., but with the pound hovering around DM3.15 for most of the day the authorities declined to lower the official money market intervention rate.

UK clearing bank base lending rate 8 per cent from April 11

A large amount of yesterday's help was provided through bill repurchase agreements and late assistance, indicating that discount houses are reluctant to sell paper outright at present, in the hope of an early cut in interest rates.

The Bank of England initially forecast a money market shortage of £900m, but revised this to £950m at noon. Total help of £848m was provided.

Before lunch the authorities bought £20m bills for resale to the market on May 11, at 7⅞ p.c.

In the afternoon the Bank of England gave further assistance of £463m, including purchases of £236m bills outright, by way of £213m bank bills in band 1 at 7⅞ p.c., and £23m bank bills in band 2 at 7⅞ p.c.

Another £227m bills were bought for resale to the market on May 11, at 7⅞ p.c.

Late assistance of £365m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £1,069m, with Exchequer transactions absorbing £105m, and bank balances below target £60m. These outweighed a fall in the note circulation adding £425m to liquidity.

In Frankfurt call money was slightly firmer at 3.225 p.c., compared with 3.20 p.c., but the money market remained well supplied with liquidity.

Tax payments this week should drain funds from the market, but this may be offset by Bundesbank action on the foreign exchanges, selling D-Marks against the dollar. This tends to increase the money in circulation on the domestic market.

It has been suggested that if strong intervention is required, this will boost domestic money supply, encouraging the central bank to tighten monetary policy.

This seems unlikely this week however, since it would increase the attraction of the D-Mark and tend to depress the dollar.

FT LONDON INTERBANK FIXING

(11.00 a.m. April 18) 3 months US dollars / 6 months US Dollars

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate, Broker loan rate, Fed.funds, Fed.funds at intervention

Treasury Bills and Bonds

April 18 — Frankfurt, Paris, Zurich, Amsterdam, Tokyo, Milan, Brussels, Dublin

LONDON MONEY RATES

Interbank Offer, Interbank Bid, Sterling CDs, Local Authority Deps., Local Authority Bonds, Discount Mkt Deps, Company Deposits, Finance House Deposits, Treasury Bills (Buy), Bank Bills (Buy), Fine Trade Bills (Buy), Dollar CDs, SDR Linked Dep Offer, SDR Linked Dep Bid, ECU Linked Dep Offer, ECU Linked Dep Bid

Company Notices

EUROPEAN OPTIONS EXCHANGE

Series		May Vol	May Last	Aug Vol	Aug Last	Nov. Vol	Nov. Last	Stock
GOLD C	$ 480	205	2.80	8	14.50	257	22	$ 459
GOLD P	$ 400	-	-	54	1.80	15	3	$ 459
GOLD P	$ 460	4	8.50	41	13	1	15 10	$ 459
		May 88		Jun. 88		Jul 88		
EOE Index C	Fl. 200	56	9.70	3	13	-	-	Fl. 209.11
EOE Index C	Fl. 205	43	8	3	9.30	10	11	Fl. 209.11
EOE Index C	Fl. 210	205	5.50	56	7.60	2	9.90	Fl. 209.11
EOE Index C	Fl. 215	124	3.50	3	6 A	-	-	Fl. 209.11
EOE Index C	Fl. 225	56	1.40	3	3	54	4	Fl. 209.11
EOE Index P	Fl. 185	55	1.50	-	-	-	-	Fl. 209.11
EOE Index P	Fl. 190	131	3.30	5	4.90	-	-	Fl. 209.11
EOE Index P	Fl. 195	65	4.80	6	6.50	-	-	Fl. 209.11
EOE Index P	Fl. 200	186	6.30	10	9	-	-	Fl. 209.11
EOE Index P	Fl. 205	176	8.80	31	11.50	14	11.50	Fl. 209.11
EOE Index P	Fl. 210	127	11.10	117	13.20 B	3	14.50	Fl. 209.11
EOE Index P	Fl. 215	52	13.50	4	15	-	-	Fl. 209.11
£/Fl C	Fl. 360	42	0.70	-	-	-	-	Fl. 353.19
$/Fl C	Fl. 190	78	0.60	5	1.60 B	-	-	Fl. 186.33
$/Fl C	Fl. 195	3	0.20	60	0.50	-	-	Fl. 186.33
$/Fl P	Fl. 180	50	0.60	100	1	-	-	Fl. 186.33
$/Fl P	Fl. 185	41	1.80	81	2.80 B	3	4.30 A	Fl. 186.33
$/Fl P	Fl. 190	507	5.05	-	-	-	-	Fl. 186.33
		Jul. 88		Oct. 88		Jan. 89		
ABN C	Fl. 40	340	1.50	33	2.20 A	-	-	Fl. 40
ABN P	Fl. 40	90	2.40	28	3.60	30	4	Fl. 40
AEGON C	Fl. 80	117	1.50	6	2.50	-	-	Fl. 73.80
AEGON P	Fl. 70	55	3.50	-	-	-	-	Fl. 73.80
AHOLD P	Fl. 70	55	3.50	-	-	-	-	Fl. 72.50
AKZO C	Fl. 110	494	4	97	7.10	-	-	Fl. 105.80
AKZO P	Fl. 100	289	5.80	13	7.50	-	-	Fl. 105.80
AMEV C	Fl. 50	150	3	27	4.60	-	-	Fl. 50.50
AMEV P	Fl. 60	50	11 B	10	11.50 B	-	-	Fl. 50.50
AMRO C	Fl. 65	131	3.20	404	4	-	-	Fl. 67
AMRO P	Fl. 65	42	3	2	5	-	-	Fl. 67
BUHRMANN-T C	Fl. 45	169	2.80	3	4.20	-	-	Fl. 45.40
BUHRMANN-T P	Fl. 45	141	3.30	14	4.30	-	-	Fl. 45.40
ELSEVIER C	Fl. 55	159	1.30 B	17	2.20	-	-	Fl. 49.80
ELSEVIER P	Fl. 50	16	3.40	44	5	-	-	Fl. 49.80
GIST-BROC. C	Fl. 35	190	2.50 B	163	3.70	-	-	Fl. 34.60
GIST-BROC. P	Fl. 35	108	3.50	14	4.50	79	5.40	Fl. 34.60
HEINEKEN C	Fl. 150	100	1.20	-	-	-	-	Fl. 128.50
HEINEKEN P	Fl. 130	43	7.30 B	2	9.50 B	-	-	Fl. 128.50
HOOGOVENS C	Fl. 40	243	2.20 A	18	3.50 A	1	4.30	Fl. 37.50
HOOGOVENS P	Fl. 35	179	2	-	-	-	-	Fl. 37.50
KLM C	Fl. 35	309	2.60	198	3	1	4.20	Fl. 34.80
KLM P	Fl. 35	591	2.50	33	3.80	4	4.50	Fl. 34.80
KNP C	Fl. 130	116	6.70	27	9.50	-	-	Fl. 127.80
KNP P	Fl. 120	98	2.80	4	3.50	-	-	Fl. 127.80
NEDLLOYD C	Fl. 250	182	19	23	24	-	-	Fl. 243
NEDLLOYD P	Fl. 230	64	16	-	-	-	-	Fl. 243
NAT NED. C	Fl. 60	230	2.40	16	3.20	-	-	Fl. 59.40
NAT.NED. P	Fl. 60	130	4	20	5.50	-	-	Fl. 59.40
PHILIPS C	Fl. 30	223	1.30	94	2.10	-	-	Fl. 28.10
PHILIPS P	Fl. 27.50	376	1.60	23	2.20	-	-	Fl. 28.10
ROYAL DUTCH C	Fl. 230	1125	6.60 B	69	9.20	170	12	Fl. 231
ROYAL DUTCH P	Fl. 230	209	13	1	16.50	30	22	Fl. 231
ROBECO P	Fl. 85	75	3	-	-	-	-	Fl. 90.70
UNILEVER C	Fl. 120	713	2.50	28	5	10	7.90	Fl. 110.30
UNILEVER P	Fl. 110	634	7.40	60	9 B	5	10.50	Fl. 110.30

TOTAL VOLUME IN CONTRACTS : 24,489

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	8	Citibank NA	8	Nat Bk. of Kuwait	8
Adam & Company	8	City Merchants Bank	8	NatWestminster	8
AAB - Allied Arab Bk	8	Clydesdale Bank	8	Northern Bank Ltd	8
Allied Irish Bank	8	Comm. Bk. N. East	8	Norwich Gen. Trust	8
Henry Ansbacher	8	Co-operative Bank	*8	PK Finans. Intl(UK)	9
ANZ Banking Group	8	Cyprus Popular Bk	8½	Provincial Bank PLC	9½
Associates Cap Corp	10	Dunbar Bank PLC	8	R. Raphael & Sons	8
Authority Bank	8	Duncan Lawrie	8	Roxburghe G'rantee	9½
B & C Merchant Bank	8	Equatorial Bank plc	8½	Royal Bk of Scotland	8
Banco de Bilbao	8	Exeter Trust Ltd	8½	Royal Trust Bank	8
Bank Hapoalim	8	Financial & Gen. Sec.	8	Smith & Williman Secs.	8
Bank Leumi (UK)	8	First Nat. Sec. Ltd.	9½	Standard Chartered	8
Bank Credit & Comm	8	● Robert Fleming & Co.	8	TSB	8
Bank of Cyprus	8	Robert Fraser & Ptnrs.	9	UDT Mortgage Exp	‡9¾
Bank of Ireland	8	Girobank	8	United Bk of Kuwait	8
Bank of India	8	Grindlays Bank	8	United Mizrahi Bank	8
Bank of Scotland	8	● Guinness Mahon	8	Unity Trust Bank Plc	8
Banque Belge Ltd	8	HFC Bank PLC	8	Western Trust	8
Barclays Bank	8	● Hambros Bank	8	Westpac Bank Corp.	8
Benchmark Bank PLC	8	Heritable & Gen Inv Bk	8	Whiteaway Laidlaw	8½
Berliner Bank AG	8	● Hill Samuel	§8	Yorkshire Bank	8
Brit Bk of Mid East	8	C. Hoare & Co.	8		
● Brown Shipley	8	Hongkong & Shangh	8		
Business Mtge Tst	8½	Lloyds Bank	8		
CL Bank Nederland	8	Meghraj Bank Ltd	8		
Central Capital	8	Midland Bank	8		
● Charterhouse Bank	8	Mount Banking Corp.	8		

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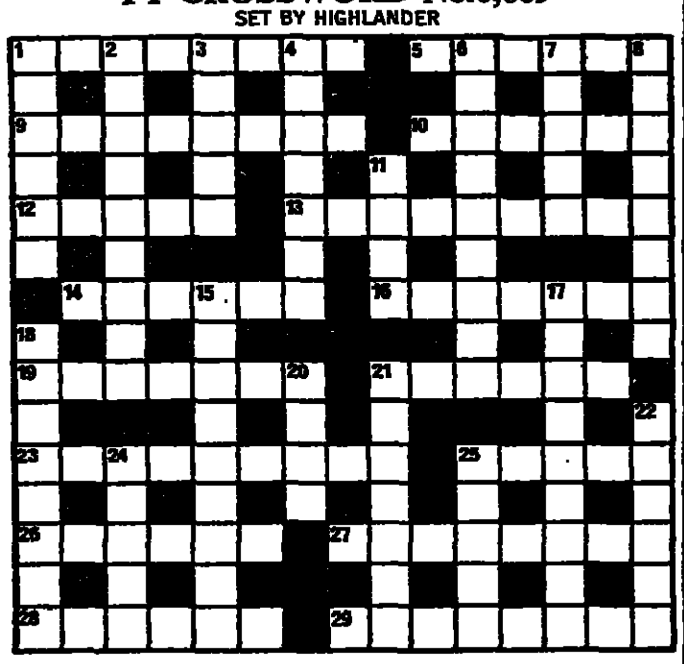
FT CROSSWORD No.6,609

SET BY HIGHLANDER



ACROSS

1 He works on the roof while she's in the House (8)
5 Trustworthy but short of credit? It's OK to scoff (6)
9 Have a meal with the family in Chinese restaurant (8)
10 Way a convict appears in foreign prison (6)
12 Pit animal is about through (5)
13 Not capital so does not go to higher court? (5,4)
14 Get tired operating vessel (6)
16 Artillery in front of ship offers illusory hope (7)
19 Takes exam again having succeeded in battles (7)
21 Cricketers stay here a while, using credit facility (6)
23 Many start with a line to an Italian soldier (9)
25 Inclined by the sound of it to leather (5)
26 In speech, attacked attack (6)
27 Presume on one – or worse (8)
28 Non-liberal officer types (6)
29 Slight expressed uncertainty produces quibble (8)

DOWN

1 Superman included one coloured artist (6)
2 Everything – including the girl – is a plant (9)
3 Disagreeable burden (5)
4 Slip one out in letter overseas (7)
6 Make up one's mind to prevent any deposit (9)
7 Wood will be provided when labour turns up (5)
8 Two under extraordinarily low bird (5-3)
11 In time we refitted the vessel (4)
15 Rent comparatively primitive fuel container (9)
17 University people help sculpture (3-6)
18 People working on canines and infantrymen do a lot of it (8)
20 Change hands round (4)
21 Itch? Stick around: you need hot dressing (7)
22 Daily worker annoys bull (3,3)
24 Inside information: four are to be handed over (5)
26 Fish can be identified by olfactory organ (5)

Solution to Puzzle No.6,608

SHERIDAN THRIFT
I N X D E N A
RETRIEVE ISRAEL
C R O I E P C E
ANAMNESIS EATEN
R P E N R I T
SPAR EPISODE
S P A A N D
TRANSIT PUNT
R R S E R D U
ISTLE LAUDATION
D E N L D R R I
ENRAGE PENITENT
N R E N E C E
THEORY ATHLETES

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrew Sq, Edinburgh 031-556 1051

Intl Income	130.3	138.5xd	—	3.22
Intl Accum	200.0	212.5xd	—	3.21
UK General Acc	38.0	40.5	+0.3	3.38
UK General Inc	36.6	39.0	+0.4	3.38
American	26.8	28.6	—	2.15
European	34.7	37.0	-0.6	1.26
Japan	58.5	62.2	-1.0	0.03
Technology	34.4	36.7xd	-0.2	2.29
Performance Trusts				
Far East Perf	18.8	20.0	-0.3	2.00
High Inc Perf Inc	24.1	25.7	+0.3	5.36
High Inc Perf Acc	24.6	26.2	+0.3	5.36
W'wide Tact Perf	27.9	29.8xd	-0.2	2.72

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403-40025

British Growth	59.1	62.9	+0.7	1.70
Technical Analysis	50.3	53.6	+0.5	3.39

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941
Life Assurance Funds

Wealth Assur.	381.3	401.4	—	—
Eb'r Ph. Eq.	341.0	362.5	—	—
Pension Plan Funds				
Phoenix				
UK Equity Acc.	166.8	174.5	+2.6	—
International Acc.	124.2	130.7	-0.6	—
Property Acc.	127.8	134.5	—	—
Fixed Interest Acc.	157.8	166.1	+0.6	—
Money Acc.	138.4	145.6	+0.1	—
Bldg. Soc. Link Acc.	135.4	142.5	+0.1	—
Special Mngd. Acc.0	147.0	154.7	+1.2	—
Phoenix/Framlington				
Intnl Growth Acc.	85.9	90.4	-3.3	—
Amer & Gen. Acc.	79.0	83.1	-5.9	—
Capital Tst. Acc.	165.5	174.2	-5.8	—
Japan & Gen Acc.	183.8	193.4	-7.7	—
American Turn. Acc.	82.1	86.4	-5.7	—
Recovery Tst. Acc.	165.0	173.6	-7.8	—
Special Mngd Acc.	139.9	147.2	-4.6	—
Phoenix/GT				
International Acc.	119.8	126.1	-2.8	—
US & General Acc.	85.5	90.0	-3.7	—
Amer Spec Sits Acc.	63.6	66.9	-2.2	—
Japan & General Acc.	180.3	189.7	-3.2	—
Far East & Gen. Acc.	140.3	147.6	-4.0	—
UK Capital Acc.	166.8	175.5	-4.9	—
European Acc.	132.9	139.8	-0.5	—
Special Mngd. Acc.	123.1	129.5	-3.1	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	263.8	277.7	—	—
Man Pens Inc & Cap Fds.	336.4	354.2	—	—
Money Fund	112.0	117.9	—	—
Pens Mngd Fd (Init).	83.1	87.5	—	—
Pens Mngd Fd (Acc)	94.0	99.0	—	—
Pens FT30 Fd (Init).	126.7	133.4	—	—
Pens FT30 Fd (Acc).	149.4	151.0	—	—
Pens O'seas MgFd(Init)	56.7	59.7	—	—
Pens O'seas MgFd(Acc)	64.1	67.5	—	—
Pens Fxd Int. Fd (Init).	106.6	112.3	—	—
Pens Fxd Int Fd (Acc)	120.7	127.1	—	—
Pens Deposit Fd (Init)	101.1	106.5	—	—
Pens Deposit Fd (Acc)	114.4	120.5	—	—

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

American	77.0	82.0	—	—
Building Soc. Fd.	160.0	169.0	—	—

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222
Prufund

Managed Apr 13	199.1	207.4	—	—

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed Fd.	425.1	447.5	+1.4	—
Equity Fd	849.9	894.7	+8.1	—
Intnl. Fd.	292.6	308.1	-3.9	—
Fixed Int. Fd.	370.1	389.4	+0.4	—
Prop. Fd.	317.6	334.4	+0.3	—
Cash Fd.	236.0	248.5	+0.1	—
Pacific Basin Fd.	169.1	178.0	-2.3	—
North American Fd.	119.7	126.0	-1.2	—
European Fd.	120.6	127.0	-2.8	—
Holborn Balanced Grth Fd.	99.1	104.4	+0.7	—
Holborn Strategic Grth Fd.	98.0	103.2	+0.6	—

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	453.4	477.3	—	—
Equity	630.5	663.7	—	—
Global Equity	190.0	200.1	-2.8	—
Fixed Interest	383.8	404.0	+1.2	—
Property	312.5	329.0	—	—
Cash	139.2	146.6	+0.1	—
Index Linked Gilt	167.3	176.2	+0.3	—
Guaranteed	8.43	—	—	—
International Money	183.7	193.4	—	—
North American Fd.	56.1	59.1	—	—
Japanese Fund	126.5	133.2	—	—
European Fund	68.9	72.6	—	—
Special Situations Fd.	92.5	97.4	—	—
Communications Fund	79.9	84.2	—	—
Smaller Cos Fund	95.2	100.3	—	—

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry Apr 6	£121.46	124.88	—	—
Equity Fund Apr 6	£129.04	132.92	—	—
Intnl Fund Apr 6	£19.77	20.41	—	—
Intl Bond Fd Apr 6	£10.10	10.24	—	—
Fixed Int Apr 6	£68.87	69.77	—	—
Index Linked Apr 6	£52.27	52.90	—	—
Property Fund Apr 6	£81.70	86.23	—	—
Cash Fund Apr 6	£28.3934	28.3934	—	—
Pru-Linked Retirement Plan				
Managed Fd Apr 13	314.9	328.1	—	—

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for July 1987:101.8 and for February 1988: 103.7
(rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
19¾	11	♦Staley Continental‡	19	.....	80c	—	2.3
33½	27⅞	Sun Co. Inc. $1	31½	−⅜	$3.00	—	5.3
28⅜	23¼	TRW Inc. 62½c	23¾	−¼	$1.60	—	3.7
25⅝	21¼	Tenneco $5	22½	−⅜	$3.04	—	7.4
26⅜	19⅞	Texaco $6.25	25½	+⅛	$3.00	—	6.4
52½	43¼	Time Inc. $1	45⅞	−1¼	$1.00	—	1.2
20⅝	15⅞	Transamerica $1	16¼	−⅜	$1.84	—	6.0
10¼	754p	Transworld Corp $5	975p	−37½	20c	—	1.1
20¼	15	TRINOVA Corp	17	−¼	56c	—	1.8
19	15¼	♦USX $1	16⅞	.....	$1.20	—	3.9
23	17⅝	Utd. Technologies	20⅝	−⅝	$1.40	—	3.7
31½	26¼	US West‡	27¼	+⅛	$3.52	—	7.1
21⅛	16⅞	Waste Management $1	16⅞	−⅝	36c	—	1.2
16¾	12⅞	Whirlpool $1	13½	.....	—	—	—
30½	18¼	♦Woolworth $3½	27¾	+⅛	$1.32	—	2.6

CANADIANS

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
309p	190p	ABM Gold Corp ‡	217p	.....	—	—	—
32p	16½p	♦Abitibi Energy Corp	25p	−1	—	—	—

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Contd

1988 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£27¼	£13	Torchmark $1.00	£16	......	Q$1.00	–	3.4	–
399	395	Trade Indemnity	395xd	......	5.6	–	1.9	–
£22⅞	£17⅝	Travelers $1.25	£17⅞	–⅜	$2.40	–	7.1	–
£19⅛	£15¼	USF & G Corp $2.50	£16½	–⅛	Q$2.64	–	9.0	–
£20½	£15¼	USLIFE Corp. $1.0	£19⅞	......	Q$1.28	3.2	3.5	8.9
560	495	Wd Friendly B 10p	555	+10	21.0	–	5.0	–
247	202	Willis Faber 12½p	223	+3	11.46	♦	7.1	♦
75	52	Windsor Secs. 10p	58xd	......	0.8	♦	1.8	♦

LEISURE

High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
15	6½	A & M Group 10p	12	+3	–	–	–	–
129	93	Airtours 10p	96	+1	L6.4	1.6	7.7	11.2
432	349	Anglia TV	395	......	5.8	3.1	1.9	22.0
93	73	Assco 1p	88	......	0.5	6.7	0.8	24.9
49	34	BCE Hldgs 5p	37	–1	L1.0	2.7	3.6	13.8
250	175	Barr & W.A.T. 'A'	247	......	11.0	♦	6.1	♦
23	15	Bond Media	23	+1	–	–	–	–
237	170	Boosey & Hawkes	235	......	3.0	♦	–	♦
49	33	Border T.V.	37	......	f1.4	2.4	5.0	10.7
380	288	Brent Walker 10p	355	......	8.0	♦	3.0	♦
112	93	Do 6pc.Cv.Cm.Rd.Pf	106	......	6.0	–	7.5	–
302	202	Campari Int. 20p	274xd	+2	6.5	4.4	3.2	7.7
205	165	Castle Comms. 5p	205xd	......	L7.0	2.0	4.7	14.3
193	161	Capital Radio 10p	186	+5	6.0	2.7	4.3	11.5
568	447	Central TV	505xd	–3	22.0	♦	5.8	♦
146	115	Chrysalis	123	–2	7.0	1.9	7.7	9.0
74	43	Cityvision 5p	66	+1	0.5	♦	1.0	♦
73	49	Edenderry	54	–1	Q24.6%	0.9	10.5	16.8
24	14	Entertain Prod 5p	22½	+2	–	–	–	–
415	290	Fairline Boats 10p	383	+1	9.0	4.7	3.1	9.0
152	120	First Leisure	149	......	2.50	3.2	2.1	19.8

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING – Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								
65	45	Lynx Tech. 5p	45	......	b–	–	–	5.2
230	106	M.L. Laboratories 1p	230	+10	–	–	–	–
133	89	Medirace 10p	126	+1	–	–	–	–
38	16	Norton Group 5p	22	+2	–	–	–	–
59	36	Ovoca Gold IR 2p	56	+3	–	–	–	–
48	33	Propeller 1p	43	+2	W–	–	–	13.4
31	13	Publishing Hldgs 5p	14	......	–	–	–	8.4
80	70	Seacon Hldgs	70	......	–	–	–	♦
27	19	Stats Hldgs. 5p	19	......	–	–	–	48.6
4½	3	Screenyard Studios 1p	3¼	......	–	–	–	18.5
230	200	Takare	225	......	b1.0	8.1	0.6	23.1
57	41	Theme Holdings	46	–2	1.1	♦	3.3	♦
36	26	Tomorrows Leisure 20p	26	......	–	–	–	10.4
135	120	UPL Group 10p	120	......	L2.41	2.8	2.7	18.0
142	120	Unit Group	140	......	R4.6	2.5	4.4	10.0
92	85	Video Tape Recording 5p	92	......	L2.3	2.3	3.3	13.2

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ♯ Dealt in under Rule 535(3).
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ± Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- L No par value

B.Fr. Belgian Francs. Fr. French Francs. ♯♯ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Albany Inv 20p γ	78	......
Craig & Rose £1 γ	680	......
Finlay Pkg. 5p γ	78	–1
Holt (Jos) 25p γ	£11⅜	......

IRISH

Stock	Price	+ or –
Fund 11¾% 1988	£100¼	......
Nat. 9¾% 84/89	£101½	......
Fin. 13% 97/02	£118⅝	......
Arnotts γ	300	......
CPI Hldgs γ	80	......
Carrol Inds γ	152	+2
Hall (R. & H.)	118½xd	......
Helton Hldgs γ	39	......
Irish Ropes γ	120xd	+1½
Unidare γ	360	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	15
BAT	45
BOC Grp	40
BSR	10
BTR	28
Barclays	48
Beecham	46
Blue Circle	42
Boots	26
Bowaters	38
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	24
Cadburys	26
Charter Cons	32
Comm Union	35
Courtaulds	34
FKI Babcock	14
FNFC	25
Gen Accident	85
GEC	15
Glaxo	110
Grand Met	42
GUS 'A'	118
Guardian	87
GKN	30
Hanson	14
Hawker Sidd	48
ICI	100
Jaguar	35
Ladbroke	38
Legal & Gen	30
Lex Service	35
Lloyds Bank	28
Lucas Inds	62
Marks & Spencer	20
Midland Bk	35
Morgan Grenfell	35
NEI	10
Nat West Bk	60
P & O Dfd	52
Plessey	16
Polly Peck	32
Racal Elect	22
RHM	35
Rank Org Ord	60
Reed Intnl	45
STC	25
Sears	14
TI	35
TSB	12
Tesco	16
Thorn EMI	60
Trust Houses	22
T&N	20
Unilever	50
Vickers	18
Wellcome	42
Property	
Brit Land	28
Land Securities	48
MEPC	48
Peachey	40
Oils	
Brit Petroleum	25
Britoil	50
Burmah Oil	45
Charterhall	6
Premier	8
Shell	110
Tricentrol	18
Ultramar	24
Mines	
Cons Gold	100
Lonrho	29
RTZ	50

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Mar 21	Apl 7	Apl 8	May 3
Apl 11	Apl 21	Apl 22	May 3
Apl 25	May 5	Mar 8	Mar 16

*New time dealings may take place from 9.00 am two business days earlier.

Markets respond as strength in the pound triggers fresh hopes for base rate cut

THE SUDDEN escalation in hostilities in the Gulf, and the reaction in the dollar, threw the London securities markets into some confusion yesterday. By the close of the session, it was the strength of the pound which dominated investment attention. Overseas cash flowed into UK Government bonds, scenting pressures for another cut in base rates. Early gains in equities, however, were halved after Wall Street opened lower.

Equities opened higher after weekend press comment had reinforced Friday's rally in securities markets as the City digested the US trade figures for February.

Brushing aside the rise in the pound, the blue chip exporting stocks led the FT-SE index ahead to a 23 point gain, taking the index above 1800 once again.

But the news of the further conflicts in the Gulf, raising expectations of a setback on Wall Street, sent the FT-SE Futures contract plunging to a 12 point discount on the London International Financial Futures Exchange (LIFFE).

Equity prices soon followed suit, and the net gain in the index was cut back severely as New York opened on the downward trend. There was little recovery in London, where hopes for lower UK base rates were balanced by fears that US rates might soon be pushed higher to protect the dollar.

At the close, the FT-SE 100 Index was a net 9.2 up at 1787.8, with the 1800 mark still looking as impregnable as it did on Day Two of the October Crash.

However, business levels in the equity market were low as the institutions stayed on the sidelines and the marketmakers sought to keep trading books within tight limits. The Seaq volume total of 416.9 shares, on the low side of average daily totals, included more than the usual quotient of intra dealer trading.

The market was sustained by initial gains in oil shares as the Gulf developments pushed crude prices ahead in the US and London, giving further encouragement to the Opec price debate. However, prices lost their gains as London correctly judged that Wall Street oil issues might be unsettled by the Gulf clashes.

British Petroleum partly-paid, which have been seen as the most direct medium for speculating in crude oil prices, traded heavily (17m shares), touching 82p before closing at 80p, only a shade up. The fully-paid, at 277p, ended a touch easier on the session.

Government bonds had a busy session, with the short and medium dated stocks out-performing the rest as overseas buyers assessed the prospects for a cut in UK interest rates just when the US might be forced to lift its own rates in defence of its currency. Gains of a ¼ point took five year bond yields to around 8.7 per cent, against the current 8 per cent UK bank base rate.

Longer dates were relatively overlooked, gaining ⅛ of a point in sympathy with the mediums but attracting less interest. The Index-linked (I-L) sector continued to make ground, adding ¼ as the Bank of England responded to bids for the new tranches introduced last week.

Rowntree, the major UK confectionery group, which rose some 230p last week following a successful market raid by Jacobs Suchard, produced another sparkling performance. The shares gained 23 further to 733p on turnover of 7.8m shares amid continuing speculation that another predator was lurking in the wings with a view to making an outright bid.

Fellow UK major, **Cadbury Schweppes**, in which General Cinema of the US holds a significant stake, gained 6 more to 298p, while **Unigate**, another Food sector bid stock, rose to 275p before coming under late selling pressure and closing 5 dearer on balance at 272p.

The independent North Sea oil stocks had another active session, as the Gulf conflicts raised the ante on energy reserves, although most share closed below the best as the rest of the market lost impetus. **Enterprise**, at 379p after 384p against 365p on Friday, rose strongly with the stake in London and Scottish Marine (LASMO) attracting increased attention on renewed hopes that RTZ might be interested in bidding for LASMO. Stock in Enterprise is very short, however, and the price moved smartly on thin business. Both **Clyde Petroleum**, off the top at 146p, and **Premier Oil**, 73p at best, saw good, two-way business again.

British Gas, 4 higher to 179½p, were somewhat overshadowed by the concentration on the oil sector of the energy industry. While the final call on the stock is due tomorrow, "large" holders were reminded by the Stock Exchange that they must pay up today.

Amstrad edged forward on hopes that the order from the South West Regional Health Authority could be followed by others from health authorities throughout the UK.

The SW Health contract is the first large bulk order for the new central sales department set up a few months ago by Amstrad, which now claims to be on the verge of a breakthrough into the corporate computing market. The shares rose to 161¼ before reacting to close unchanged on balance at 157p.

The banking sector remained a relative backwater, the major clearers posting minor gains at the outset before easing back to close little changed on balance. **Bank of Ireland** were unsettled by news of a £74m proposed rights issue to partly finance the acquisition of US group NH Banks Incorporated of New Hampshire for £200m and closed 12 lower at 213p.

Composite Insurances were the subject of selective support, **Sun Alliance** rising 8 to 942p, while **Commercial Union** improved 4 to 338p prior to closing unchanged at 334p; the former is expected to announce increases in its premium rates by an average of 150 per cent from next Monday because of the Aids problem. It is thought that CU may well follow suit in the near future.

Lloyds brokers showed **Steel Burrill Jones** 15 higher at 175p on rumours that the company may beef up its management team shortly.

Central Motor Auctions, the UK's second-largest group of motor auctioneers after British Car Auction, staged a highly successful debut in the Unlisted Securities Market; the shares, placed at 80p, opened around the 100p level and later settled at 96p. **Morris Ashby**, a producer of non-ferrous high pressure and gravity diecastings, also performed well in first-time dealings in the USM, the shares touching 101p prior to closing at 93p compared with a placing price of 90p.

A sizeable early deal involving some 775,000 shares sucked in buyers of **Allied-Lyons** and fairly soon rumours of resumed Bond Corporation activity were going the rounds. Marketmakers thought it extremely unlikely that the Australian conglomerate had increased its holding, last disclosed as 7 per cent, but the shares were reluctant to step back and closed 7 up at 399p.

Investors remained cautious of the Building sector despite talk of another base rate cut. **Magnet** failed to respond to the announcement that the company is seeking offers for Southerns-Evans, its timber products subsidiary, and closed 2 cheaper at 235p; turnover in Magnet totalled 5.8m, including a cross of 2.4m. at levels of 225½p to 228p. **RMC**, which revealed excellent results last week, firmed 7 afresh to 495p in response to a recommendation from Morgan Grenfell while **Steetley** revived strongly on reports that demand for its brick products had produced a shortage to close 14 higher at 347p. **John Mowlem** revealed annual profits much in line with market estimates and the shares edged forward to 422p prior to closing virtually unchanged at 416p.

ICI shrugged aside currency factors and traded higher initially, but Wall Street's initial reaction left the price 9 easier on balance at 974p following a turnover of 1.2m shares. **Laporte** attracted support ahead of tomorrow's annual results and rose 6 to 385p. **Brent Chemicals** firmed 4 to 143p in a restricted market.

Storehouse continued to attract considerable attention, advancing afresh to 277p amid persitent takeover speculation before closing a little below the best at 274p for a gain on the day of 8. The volume of activity (4.2m) remained high, but failed to match last *Friday's* level of around 6.3m.

Other leading stores trended higher initially, but turned easier with the rest of the equity market, underlying sentiment not being helped by the slowdown in retail sales. **Dixons** ended 5 to the good at 180p, while **Next** settled a similar amount up at 271p.

Tie Rack closed a few pence lower at 134p, the preliminary figures being offset to a certain extent by the warning on start-up costs which will be refelcted in the first half of the current year.

GEC continued to draw above-average business but other Electrical leaders traded in lacklustre fashion. Most showed little change on balance, although **STC** were one of the two exceptions and gained 5 to 242p. **BICC** were the other, rising 7 to 325p. Elsewhere, **Dubilier** surged higher again and the shares were eventually suspended at 176p, up 14, pending an announcement. **Peek** also moved higher, closing 2 better at 66p. Press comment took **F & H Group** up 4 to 60p while **BSR International** improved to 76p on news of the Provident Mutual Life stake of 8.02 per cent.

Ransomes Sims were outstanding at 303p, up 30, in the wake of persistent demand. Renewed buying was partly triggered by speculation about F.H. Tomkins' 6.9 per cent stake in the company. In a current review of the group, Citicorp Scrimgeour Vickers point out that buoyant trading and acquisition contribution assures continued profit growth and believe that in view of recent underperformance RS shares are good value.

Delta, boosted by revived suggestions of a possible bid from RTZ, moved ahead smartly to close 11 dearer at 288p, while **Matthew Hall**, also a current takeover favourite, firmed 3 to 155p. **VSEL**, reflecting submarine contract hopes, advanced 20 to 518p in a limited market.

Tate and Lyle, which recently announced a rights issue in connection with a proposed major US acquisition, picked up 12 at 756p. Among Food Retailers, **ASDA** traded briskly and settled a shade dearer at 169p on turnover of 4.3m shares including a block of 1.0m traded at 170p.

Investors showed little enthusiasm for International stocks in the face of continuing currency worries and early dullness on Wall Street yesterday. As a result, early gains were gradually whittled away in an extremely low volume of trade with quotations usually ending a shade lower on balance. **Reuters**, however, managed a *rise of 4 at 499p*, having touched 505p at one stage.

Bridport Gundry met with a flurry of speculative activity and advanced strongly to close 18 higher at 238p, while Robert Maxwell stake speculation, prompted a rise of 10 to *392p in De La Rue*. **Smiths Industries**, the subject of a Nomura Research recommendation, were noteworthy for a rise of 6 at 246p. Preliminary figures in line with market expectations left **Morgan Crucible** a few pence *lower at 247p*, while **EIS** also drifted back to close 5 cheaper at 264p after trading news. **Rank Organisation** eased a few pence to 696p following details of the cash consideration ($90m) for the purchase of BHCP Video.

Jaguar resisted adverse currency considerations and responded to removal of the strike threat at Coventry following acceptance of the group's new productivity deal. Turnover was modest, being less than 1m shares, but with few sellers operating the price rose 7 to 283p.

Weekend Press recommendations directed small investment interest towards **International Business Communications**, 4 better at 123p, and **Blenheim Exhibitions**, 10 higher at 480p. News of last year's return to profitability pushed **Ketson** up 3 to 70p and **Broad Street**, the public relations group which ran into serious problems last year, recovered 2 to 36p, the poor interim figures having been discounted.

Properties moved higher at the outset on interest rate optimism, but trade remained thin and prices topped out towards the close. **Land Securities** finished 6 dearer at 557p, while **MEPC** closed 7 up at 528p. **British Land**, boosted to a certain extent by a recommendation from Kleinwort Grievson, the securities house, added a couple of pence to 307p. **Great Portland Estates** picked up 7 at 306p.

Courtaulds staged an initial attempt to extend Friday's upsurge but the movement soon lost impetus and the shares ran back from 361p to close 7 down on the session at 350p. Over the weekend Hoechst, the West German concern reported to be one of two overseas groups showing interest in Courtaulds, denied purchasing shares. Hopes of a counter to the Coloroll offer, possibly from Coats Viyella, bolstered *John Crowther, while* **Dawson International** remained firm after a Citicorp Scrimgeour Vickers "buy" recommendation.

Inchcape became popular ahead of Thursday's annual *results, the shares rising 18* to 703p. County NatWest WoodMac is forecasting profits of £111m but advises clients to sell on the figures.

Activity in Traded Options was concentrated on energy stocks where BP and British Gas featured. BP registered 2,946 calls and 466 puts, while British Gas recorded 1,726 calls and 692 puts. Cadbury options were busy reflecting heightening takeover speculation in the Food sector, Cadbury calls totalled 2,282 with puts at 521. Total contracts came out at 29,368, comprising 20,616 calls and 8,752 puts.

Traditional Options

- First dealings Apr 18
- Last dealings Apr 29
- Last declarations July 14
- For Settlement July 25

For rate indications see end of London Share Service

A reasonably brisk interest developed in the Traditional option market yesterday. Stocks to attract money for the call included Blacks Leisure, Olives Paper, Polymark, Stormgard, Hughes Food, Ultramar, Fobel, BOMS, London Investment Trust, RTZ, Bryant Holdings, Amber Day, Highland Electronic, Meekathara, Baggeridge Brick and Stakis. Puts were arranged in British Petroleum partly-paid and Burmah, while double options were transacted in British Petroleum partly-paid and Polly Peck.

FINANCIAL TIMES STOCK INDICES

	Apr. 18	Apr. 15	Apr. 14	Apr. 13	Apr. 12	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	91.43	91.26	91.09	91.09	91.07	90.16	92.43 (18/4)	86.97 (13/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.75	97.92	97.99	98.04	97.74	96.96	98.04 (13/4)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1419.6	1415.7	1416.2	1435.0	1433.7	1531.9	1478.7 (4/3)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	221.4	217.5	216.6	220.7	220.9	453.5	312.5 (7/1)	216.6 (14/4)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div Yield	4.57	4.57	4.55	4.48	4.48	3.79				
Earnings Yld. % (full)	11.89	11.91	11.85	11.72	11.72	8.69				
P/E Ratio (net)(*)	10.33	10.31	10.38	10.46	10.47	14.24				
SEAQ Bargains (5pm)	26,075	26,144	26,723	23,497	24,173	31,964				
Equity Turnover (£m)	-	1746.77	1561.94	1393.58	1353.00	945.21				
Equity Bargains	-	27,117	28,217	24,880	26,324	41,010				
Shares Traded (ml)	-	454.3	544.0	461.8	383.5	358.2				

S.E ACTIVITY

Indices	Apr.15	Apr.14
Gilt Edged Bargains	153.8	130.0
Equity Bargains	175.7	182.8
Equity Value	3530.7	3157.1
5-Day average		
Gilt Edged Bargains	141.9	141.3
Equity Bargains	172.7	181.8
Equity Value	2814.7	2529.7

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
-	1429.6	1427.9	1429.1	1429.5	1427.2	1421.8	1419.8

Day's High 1430.0 Day's low 1418.8

*Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.22.*

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (136).
BRITISH FUNDS (82) INT.BANK & O'SEAS GOVT. STLG. ISSUES (3) CORPORATION LOANS (2) LOANS (1) BREWERS (4) BUILDINGS (3) CHEMICALS (3) STORES (8) ELECTRICALS (2) ENGINEERING (4) FOODS (5) INDUSTRIALS (11) LEISURE (4) PROPERTY (16) TRUSTS (6) OILS (1) MINES (3) THIRD MARKET (1).

NEW LOWS (61).
BRITISH FUNDS (2) AMERICANS (12) BANKS (3) STORES (1) ELECTRICALS (3) FOODS (2) INDUSTRIALS (6) INSURANCE (3) NEWSPAPERS (1) PAPERS (2) SHOES (1) TRUSTS (6) OILS (1) PLANTATIONS (1) MINES (6).

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA Group	4,200	General Accident	91	Prudential	352
Allied-Lyons	2,700	General Elect.	5,000	Racal	636
Amstrad	2,400	Glaxo	844	Rank Org.	474
Argyll Group	1,300	Globe Investment	829	RMC	651
Assoc. Brit. Foods	154	Granada	235	RHM	166
BAA	3,800	Grand Met	835	Reckitt & Colman	297
BAT	1,300	GUS "A"	92	Redland	148
BET	972	Guardian R.E.	53	Reed Intl.	788
BICC	256	GKN	527	Reuters "B"	546
BOC	612	Guinness	1,000	RTZ	140
BPB Inds	636	Hammerson	188	Rolls-Royce	1,600
BTR	1,500	Hanson	3,400	Rothmans "B"	328
Barclays	2,000	Hawker Siddeley	516	Rowntree	7,600
Bass	221	Hillsdown Holdings	1,100	Ryl Bank Scotland	1,200
Beecham	583	IMI	377	Royal Insurance	1,500
Blue Arrow	536	ICI	1,400	STC	1,700
Blue Circle	313	Jaguar	905	Saatchi & Saatchi	316
Boots	4,900	Ladbroke	1,000	Sainsbury	2,300
Brit. Airways	3,300	Land Securities	858	Scott & Newcastle	492
Brit. Aerospace	2,500	Laporte	1,000	Sears	2,500
Brit. & Comm.	324	Legal & General	747	Shell Transport	1,100
British Gas	9,500	Lloyds Bank	1,900	Smith & Nephew	482
BP	7,600	LASMO	1,700	Storehouse	4,200
Brit. Telecom	5,000	Lonrho	1,000	Sun Alliance	143
Burmah Oil	1,400	Lucas	251	T & N	299
Burton	1,700	MEPC	864	TSB	4,200
Cable & Wireless	2,700	Marks & Spencer	3,100	Tarmac	1,200
Cadbury Schweppes	5,100	Maxwell Comm.	698	Tesco	1,700
Coats Viyella	2,200	Metal Box	435	THORN EMI	505
Commercial Union	2,700	Midland Bank	2,200	Trafalgar House	1,200
Cons. Gold	331	NatWest Bank	1,000	Trusthouse Forte	1,200
Cookson	481	Next	1,000	Ultramar	1,900
Courtaulds	3,600	Northern Foods	877	Unilever	1,100
Dalgety	842	Pearson	1	United Biscuits	800
Dee Corporation	2,200	Pearl Group	130	Wellcome	1,000
English China Clays	676	P & O	828	Whitbread "A"	750
Enterprise Oil	1,200	Pilkington	2,200	Williams Holdings	1,200
Fisons	870	Plessey	2,000	Woolworth	925

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	108	3	3
Corporations, Dominion and Foreign Bonds	12	10	30
Industrials	559	270	745
Financial and Properties	181	119	351
Oils	36	20	52
Plantations	1	1	11
Mines	57	42	96
Others	55	74	116
Totals	1,009	539	1,404

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Monday April 18 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Fri Apr 15 Index No.	Thu Apr 14 Index No.	Wed Apr 13 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (207)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2	Building Materials (29)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3	Contracting, Construction (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4	Electricals (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5	Electronics (32)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6	Mechanical Engineering (56)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8	Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9	Motors (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10	Other Industrial Materials (24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21	CONSUMER GROUP (188)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22	Brewers and Distillers (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25	Food Manufacturing (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26	Food Retailing (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27	Health and Household (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29	Leisure (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31	Packaging & Paper (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32	Publishing & Printing (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34	Stores (35)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35	Textiles (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40	OTHER GROUPS (93)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41	Agencies (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42	Chemicals (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43	Conglomerates (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45	Shipping and Transport (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47	Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48	Miscellaneous (26)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49	INDUSTRIAL GROUP (488)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51	Oil & Gas (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59	500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61	FINANCIAL GROUP (122)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62	Banks (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65	Insurance (Life) (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66	Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67	Insurance (Brokers) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68	Merchant Banks (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69	Property (51)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70	Other Financial (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71	Investment Trusts (82)	865.99	+0.1	–	2.94	–	5.49	865.05	870.03	875.06	952.65
81	Mining Finance (2)	445.62	+0.6	10.44	4.22	10.83	2.01	443.01	451.39	466.74	461.75
91	Overseas Traders (8)	1013.23	+0.5	10.05	5.16	11.80	14.93	1007.81	1025.32	1027.13	923.80
99	ALL-SHARE INDEX (714)	919.91	+0.5	–	4.20	–	9.25	915.11	919.31	920.13	979.12

	Index No.	Day's Change	Day's High	Day's Low	Apr 15	Apr 14	Apr 13	Apr 12	Apr 11	Year ago
FT-SE 100 SHARE INDEX ‡	1787.8	+9.2	1802.4	1786.9	1778.6	1787.2	1810.4	1805.3	1810.5	1949.4

FIXED INTEREST

	PRICE INDICES	Mon Apr 18	Day's change %	Fri Apr 15	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	124.34	+0.20	124.10	–	3.76
2	5-15 years	142.94	+0.23	142.78	0.17	4.46
3	Over 15 years	151.44	+0.15	151.21	–	5.65
4	Irredeemables	172.42	+0.15	172.15	–	1.54
5	All stocks	139.25	+0.21	139.05	0.09	4.37
	Index-Linked					
6	5 years	126.63	+0.07	126.55	–	0.51
7	Over 5 years	120.83	+0.16	120.63	–	1.18
8	All stocks	121.12	+0.15	120.93	–	1.12
9	Debentures & Loans	120.68	+0.13	120.52	–	2.67
10	Preference	90.72	+0.27	90.48	–	1.90

	AVERAGE GROSS REDEMPTION YIELDS		Mon Apr 18	Fri Apr 15	Year ago (approx.)
	British Government				
1	Low	5 years	8.38	8.44	9.21
2	Coupons	15 years	8.90	8.92	9.08
3		25 years	8.82	8.84	9.02
4	Medium	5 years	8.75	8.82	9.17
5	Coupons	15 years	9.12	9.14	9.22
6		25 years	9.04	9.05	9.22
7	High	5 years	8.84	8.90	9.31
8	Coupons	15 years	9.26	9.28	9.35
9		25 years	9.06	9.07	9.14
10	Irredeemables	†	8.65	8.70	9.03
	Index-Linked				
11	Inflation rate 5%	5yrs.	2.21	2.23	3.14
12	Inflation rate 5%	Over 5 yrs.	3.68	3.69	3.56
13	Inflation rate 10%	5 yrs.	1.36	1.37	2.57
14	Inflation rate 10%	Over 5 yrs.	3.53	3.54	3.44
15	Debs &	5 years	10.77	10.74	9.97
16	Loans	15 years	10.55	10.54	10.15
17		25 years	10.55	10.54	10.20
18	Preference	†	9.92	9.93	10.71

‡Opening Index 1794.6; 10 am 1796.2; 11 am 1797.3; Noon 1800.7; 1 pm 1801.2; 2 pm 1797.2; 3 pm 1791.7; 3.30 pm 1788.2; 4 pm 1787.9

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allied Lyons (*399)	360	40	48	57	1½	8	13
	390	12	28	40	4	20	25
	420	1	16	25	25	38	42
Brit. Airways (*164)	160	7	13	18	2	14	16
	180	1	6	10	18	25	26
	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
LASMO (*362)	330	38	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	360	18	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	390	8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
P. & O. (*585)	550	47	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	600	16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	650	4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

April 18 Total Contracts 29,368 Calls 20,616 Puts 8,752
FT-SE Index Calls 911 Puts 1397
*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
†	F.P.	-	195	185	Acre Oil 50p	196	+1	W3.5	2.1	2.4	26.6
132	F.P.	-	150	136	Assoc. Nursing Servs 10p	136		R2.0	3.6	2.0	18.3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) Unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Closing prices April 18

[illegible]

MONTREAL

Closing prices April 18

[illegible]

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued from Page 47

[illegible]

INDICES

NEW YORK — DOW JONES

	Apr. 15	Apr. 14	Apr. 13	Apr. 12	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2013.93	2005.64	2107.10	2110.08	2110.08 (12/4)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.48	89.53	89.55	89.70	91.25 (3/3)	86.12 (4/1)	-	-
Transport	833.53	841.85	877.69	884.56	904.12 (23/3)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	169.16	170.16	175.14	175.44	190.82 (29/1)	169.16 (15/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2031.33 (2083.22) Low 1969.99 (1998.18)

STANDARD AND POOR'S	Apr. 15	Apr. 14	Apr. 13	Apr. 12	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite‡	259.77	259.75	271.55	271.37	271.55 (13/4)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials (latest)	302.72	302.32	316.49	316.16	316.53 (13/4)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	22.06	22.29	23.16	23.17	24.04 (3/3)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	147.80	147.14	153.20	153.19	153.20 (13/4)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. value	299.24	298.92	305.79	306.59	306.59 (12/4)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp.	373.90	374.52	383.42	383.38	383.41 (13/4)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Apr. 1	Mar. 25	Mar. 18	year ago (approx.)
Dow Industrial Div. Yield	3.35	3.53	3.35	2.86

	Apr. 13	Apr 6	Mar. 23	year ago (approx.)
S & P Industrial div. yield	2.90	2.96	2.93	2.47
S & P P/E ratio	15.60	15.21	15.39	22.12

TRADING ACTIVITY † Volume

Millions	Apr. 15	Apr. 14	Apr. 13
New York	235.183	211.810	185.120
Amex	10.920	13.622	13.702
OTC	(u)	142.049	130.225

NEW YORK	Apr. 15	Apr. 14	Apr. 13
Issues Traded	1,969	1,979	1,970
Rises	343	146	665
Falls	992	1,594	811
Unchanged	414	239	494
New Highs	11	5	19
New Lows	22	27	12

CANADA

TORONTO	Apr. 15	Apr. 14	Apr. 13	Apr. 12	1988 High	1988 Low
Metals & Minerals	2750.8	2757.4	2811.0	2768.9	2832.3 (23/3)	2238.7 (8/2)
Composite	3350.3	3344.2	3397.7	3402.4	3402.4 (12/4)	2977.9 (8/2)
MONTREAL Portfolio	1647.13	1644.03	1679.37	1681.54	1681.54 (12/4)	1305.06 (27/1)

	Apr. 18	Apr. 15	Apr. 14	Apr. 13	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1451.0	1436.9	1467.6	1462.6	1467.6 (14/4)	1170.7 (10/2)
All Mining (1/1/80)	693.2	678.8	695.6	694.5	773.6 (14/1)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	172.40	173.29	175.04	175.90	178.92 (21/3)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	4685.2	4660.5	4739.0	4738.9	5043.1 (9/3)	3608.35 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	193.10	199.26	198.70	200.07 (11/4)	180.68 (4/1)
FINLAND						
Unitas General (1975)	631.7	631.2	645.8	646.4	646.4 (12/4)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	302.6	296.8	305.0	303.9	306.9 (23/2)	251.3 (29/1)
Ind. Tendance (31/12/87)	108.8	108.2	108.8	109.2	112.3 (25/2)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	455.3	454.49	463.70	464.41	476.37 (18/3)	396.40 (29/1)
Commerzbank (1/12/53)	1389.8	1386.3	1413.3	1414.9	1457.5 (18/3)	1207.9 (29/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2551.96	2598.95	2684.13	2671.24	2684.13 (14/4)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	518.61	517.00	527.43	522.89	545.07 (18/3)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	26671.45	26893.57	27111.35	26985.55	27111.35 (14/4)	21217.04 (4/1)
Tokyo SE New (4/1/68)	2155.29	2173.80	2193.95	2187.78	2193.95 (14/4)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	248.7	247.3	255.3	253.7	280.3 (24/2)	205.7 (4/1)
ANP-CBS Industrial (1970)	206.9	205.9	211.7	210.1	211.7 (14/4)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	398.14	389.85	397.82	407.88	412.04 (11/4)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	930.7	933.4	957.1	955.4	969.40 (21/3)	833.60 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1338.0	1304.0†	1298.0	1310.0	1790.0 (7/1)	1212.0 (29/2)
JSE Industrial (28/9/78)	1521.0	1521.0†	1527.0	1523.0	1564.0 (11/1)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	274.87	273.32	281.14	280.77	281.14 (14/4)	225.50 (4/1)
SWEDEN						
Jacobson & P (31/12/56)	2716.6	2744.6	2838.7	2832.8	2838.7 (14/4)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(c)*	524.9	530.8	530.7	539.5 (18/3)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	458.8	462.1	463.4	463.4 (13/4)	401.6 (21/1)

**Saturday April 16: Japan Nikkei (c) TSE (c)

† Amended at source.
(c)* Zurich closed.

Base values of all Indices are 100 except Brussels SE 1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia All Ordinary and Metals 500; (c) Closed (u) Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Coastal Energy	9,477,600	15¼	+ ⅛
NY State E&G	8,066,900	22⅜	+ ⅛
Texaco	4,131,600	48⅞	+ 1⅞
General Electric	3,519,300	40	⅝
AT&T	3,177,500	26⅝	
IBM	2,796,200	114¾	+ 2¼
Varity	2,508,100	3½	—
Exxon	2,470,100	43⅝	⅝
Fed Dept. Stores	2,373,200	70⅝	⅞
Ford Motor	2,141,800	45⅜	+ ½

Base values of all Indices are 100 except NYSE All Common 50; Standard and Poor's 10; and Toronto Composite and Metals 1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Allied-Lyons	399	+ 7
BICC	325	+ 7
Bridport Gundry	238	+ 18
BP	278	+ 6
De La Rue	392	+ 10
Delta Group	288	+ 11
Dubilier Intl.	176†	+ 14
Enterprise Oil	381	+ 16
Inchcape	703	+ 18
Jaguar	283	+ 7
RMC	495	+ 7
Ransomes Sims	303	+ 30
Rowntree	738	+ 28
Steetley	347	+ 14
Storehouse	274	+ 8
Tate & Lyle	756	+ 12
Sun Alliance	942	+ 8

FALLS

Bank Ireland	213	12
Courtaulds	350	7

†Price at suspension

TOKYO - Most Active Stocks

Monday, April 18, 1988

	Stocks Traded	Closing Prices	Change on day
Nippon Kokan	49.78m	405	-4
Mitsui Engineering	24.03m	330	-13
M'Bishi Hi	21.09m	730	-17
Nippon Steel	15.82m	478	-4
Yokohama Rubber	14.88m	742	+24
Keisei Railway	9.08m	903	+3
Isuzu	7.97m	520	+10
Nippon Seiko	7.81m	750	+15
Kawasaki Steel	6.52m	386	-8
Toshiba	6.52m	790	-16

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	1.6	19	136	23⅛	22⅝	22⅞	−¼
27	10½	AGS s			14	167	16½	15¾	16½	+½
8⅝	3¼	AM Intl				449	4	3⅞	4	
65½	26¾	AMR			13	3847	42⅝	40	41¾	+¾
27¼	24⅞	ANR pf	2.67	10.		22	26¼	26¼	26¼	−½
12¼	6⅝	ARX			9	1329	8⅝	8¼	8⅝	+⅛
72⅞	40⅛	ASA	3	6.5		667	46¾	45½	46¼	+1
22⅝	9½	AVX			14	136	17	16⅝	16⅞	−⅛
68⅝	40	AbtLab	1.20	2.5	18	3859	48⅛	47⅛	47½	−¼
28	15⅜	Abitibi g	1			200	18⅝	17⅞	18⅝	+½
18¾	8½	AcmeC	.40	3.3		56	12⅝	12¼	12¼	
10½	6¾	AcmeE	.32b	4.3	20	20	7⅝	7⅜	7½	+⅛
20	14⅛	AdaEx	2.93e	19.		106	15½	15¼	15¼	
18¾	6⅞	AdamM	.24	1.8	11	52	13⅞	13⅝	13⅝	−⅝
24⅞	7½	AMD				3067	13	12¼	12⅞	+⅝
56¾	29¼	AMD pf	3	7.8		2	38¼	38¼	38¼	
11⅞	4⅝	Adobe			13	243	7¾	7⅛	7¾	+⅞
20¼	16¼	Adob pf	1.84	10.		8	18⅛	18⅛	18⅛	+⅛
21¾	17½	Adob pf	2.40	11.		21	21⅛	21	21	+⅛
15	6⅛	Advest	.12a	1.7	7	88	7⅛	7	7⅛	+¼
64¼	42½	AetnLf	2.76	6.5	6	1082	42⅞	42½	42⅝	+⅛
83½	41	AflPub	.40	.7	35	756	61¾	61	61	−1
23¾	13	Ahmans	.88	6.1	7	1548	14⅞	14¼	14½	−¼
4⅞	1¾	Aileen				674	3⅜	3	3⅜	+⅜
53⅞	29	AirPrd	1	2.2	14	743	46¼	45¾	45⅞	−½
36	11⅛	AirbFrt	.60	3.5	19	98	17⅛	16⅞	17⅛	+¼
16½	6¾	Airgas			16	54	12⅝	12¼	12¼	
19¾	13½	AirleasB	.30	12.	10	31	18⅝	18⅝	18⅝	−⅛
½	5-16	AlMoan			47	90	½	15-32	15-32	−1-32

[illegible]

Continued on Page 47

NYSE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close

Continued from Page 46

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
38	16¼	OutbdM	.72	2.2	11	365	32⅛	31¾	32⅛	
28½	15	OvShip	.50	2.2	16	8	22¼	22¼	22¼	
22	11¾	OwenM	.36	2.0	13	48	17¾	17⅝	17¾	+⅛
32⅞	9	OwenCn			4	1058	18⅞	18⅛	18⅝	−⅛
22⅞	8⅛	OxfdF s	.40	1.9	14	53	21⅝	21	21⅝	+½
19	9⅞	Oxford	.50	4.7		135	10⅞	10½	10⅝	−⅛
		P Q								
45	25¾	PHH	1.08	3.5	12	80	30⅝	30½	30½	¼
14	6¾	PHM	.12	1.7	5	49	7⅛	7⅛	7⅛	
51	33¼	PNC	1.68	4.0	14	6006	42¼	40¾	42¼	+1⅛
53½	27½	PPG	1.20	3.0	13	1345	40⅝	39⅝	40⅛	−⅛
16⅛	13⅛	PacAS	1.48	9.6		4	15⅜	15¼	15⅜	−⅛
61¼	44	PacEnt	3.48	7.8	11	913	44⅝	d43⅝	44⅝	+¼
22⅝	15	PacGE	1.92	12.	10	4559	15½	15¼	15½	
16½	7½	PacRes	.20e	1.6	404	104	12¼	11⅞	12⅛	−⅛
26¼	19	PacRs pf	2	8.9		15	22½	22⅛	22½	+⅜
20¼	9¾	PacSci	.40	2.9	18	120	14	13¾	14	+¼
33⅞	22½	PacTel	1.76	6.3	13	5495	28⅛	27⅝	27¾	−½
36⅝	26¾	Pacifcp	2.64	7.7	9	1512	34½	33⅞	34⅛	−⅜
36	13⅛	PainWb	.52	3.5	7	2829	15⅛	14⅝	15	−⅛
25½	12¾	PainW pf	1.37	8.8		15	15½	15½	15½	−⅛
6¼	2½	PanAm				1934	2¾	2⅝	2¾	+⅛
2	7-16	PanA wt				71	11-16	⅝	⅝	
34¾	18¼	PanEC n	2	8.5	12	679	23⅞	23⅝	23½	
17	5⅞	Panill			5	125	5½	5⅜	5½	
27¾	10½	Pansph	.16	.9	17	61	17⅝	16⅞	17⅝	+¾
27¼	12⅝	ParPh s			17	141	18	17¾	17⅞	+⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

10⅝	7⅞	Zweig	1.34e	13.		1143	10⅛	9⅞	10⅛	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 45

FINANCIAL TIMES Tuesday April 19 1988

AMERICA

Dow hovers over the 2,000 level

Wall Street

EQUITIES were undermined yesterday by nervousness in the wake of last Thursday's fall of more than 100 points and by more weakness in the bond market which was reacting badly to a jump in oil prices amid heightened tension in the Gulf, *writes Janet Bush in New York.*

The Dow Jones Industrial Average recovered from an early fall of 16 points which had taken the index below the 2,000 level to close 5.81 points lower at 2,008.12. Business was fairly active during the morning session but quietened during the afternoon. By the close, just under 145m shares had changed hands.

Paradoxically, the dollar was supported by news of skirmishes between the US and Iran in the Gulf, removing one of the factors which had exerted a negative influence on both equities and bonds late last week.

The inflationary implications of higher oil prices more than offset stability in the dollar and bonds were quoted as much as 1½ point lower in late trading. The Treasury's benchmark long bond was quoted ½ point lower to yield 9.02 per cent, its highest level since mid-January.

News from the Gulf combined with reports that talks between representatives of the Organisation of Petroleum Exporting Countries and non-OPEC producers have been scheduled for April 26 to discuss co-operation to bolster oil prices boosted crude sharply higher on the New York Mercantile Exchange. In mid-morning, crude for May delivery was quoted at $18.78 a barrel, up 41 cents from Friday.

Coupled with Friday's shock news of a 0.6 per cent broadly based rise in US producer prices in March, fears of higher inflation are now a major factor in the bond market and speculation of a *Fed tightening* has reached a point where the question being asked is not if but when and by how much.

Although the Fed is not likely to want to tighten if the stock market is looking vulnerable, and although the central bank may be under some political pressure to avoid higher interest rates in election year, most analysts seem to think tighter policy is inevitable. This is dampening the mood in the stock market.

The only piece of economic news yesterday was the release of capacity utilisation figures which showed a usage rate of 82.3 per cent in March, slightly below 82.4 per cent in February. This was as forecast and had little impact on trading. However, given signs that some pockets of US industry are coming up *against capacity constraints,* which has implications for the trade balance as strong domestic demand then has to be met by imports, usage figures over the next few months will be watched carefully.

A number of corporate results were announced and there were some takeover developments.

A twist was announced in the long-running battle by the Bank of New York to take over Irving Bank. News emerged that Banca Commerciale Italiana had agreed to acquire about 51 per cent of Irving for $65 a share. Irving's share price closed $1 lower at $60¾ while Bank of New York rose $1 to $31⅝.

Armtek added $2 to $30¾ after news that Italy's Pirelli Group, which recently failed to acquire Firestone Tire & Rubber, had agreed to buy the company's Armstrong Tire Unit for $190m.

Facet Enterprises jumped $3½ to $31⅝ after Pennzoil's agreement to buy the company for $32 a share, bettering a previous offer of $27.50 *a share from Prospect Group.* Pennzoil eased $1½ to $74½ while Prospect added $¼ to $7¼ in over-the-counter trading.

Among companies announcing results were Sears Roebuck whose shares fell $½ to $34⅝ after the company reported that net income fell to 47 cents a share in the first quarter from 75 cents a year earlier.

Chase Manhattan added $⅛ to $25⅛ after it reported net earnings of $3.09 a share in the first quarter compared with $1.12 a year earlier. The latest quarter's results includes a $61m after-tax gain from the sale of Interactive Data Corp.

NYNEX Corp, the regional telephone company, added $¾ to $64 after its news of net earnings in the first quarter of $1.55 a share compared with $1.47 a year earlier.

Apple Computer, reporting its results for the six months to April 1, announced net earnings of $1.53 a share from 71 cents a year earlier. Its shares added $½ to $40.

Canada

STRONG commodity prices sent Toronto stocks higher in active trading, with golds and base-metals leading the advance.

The composite index, which dropped about six points in earlier trading, closed 21 points higher at 3371.30.

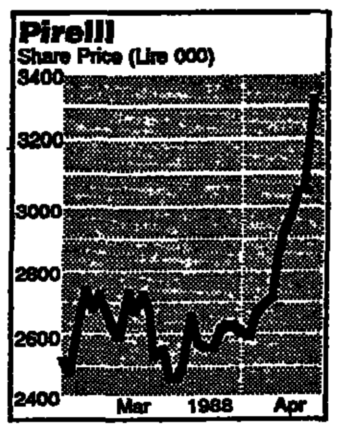
Advances outpaced declines by 422 to 409 on moderately heavy *turnover of 28.3m shares.*

SOUTH AFRICA

GOLD shares closed firmer in Johannesburg as the bullion price rose on heightened tensions in the Gulf. But trading was cautious and gains limited by a further strengthening of the financial rand.

Heavyweight Vaal Reefs rose R6 to R264 and Kloof 25 cents to R31.25. Mining financials had Gencor up R1 to R48.25.

De Beers and Impala Platinum shed 25 cents each to R30.75 and *R26.25 respectively.*



Pirelli jump keeps Milan guessing

By Alan Friedman in Milan

IN MILAN, every stockbroker was talking about Pirelli yesterday.

The Italian tyre and cables group saw the price of its quoted Pirelli SpA jump by 10 per cent yesterday morning to L3,360, before settling back to L3,310 in after-hours trading. This brought the increase in Pirelli SpA shares to 23 per cent in less than a week. And shares in the Pirelli family's master holding vehicle – Pirelli and Company – soared 7.5 per cent to close at L4,515. Mystery buyers at work, proclaimed the moguls of Milan.

First came the rumours: Uniroyal-Goodrich was building a stake in Pirelli prior to a bid, *said some. No, said others,* Michelin was about to swap stock with Pirelli. Wrong, said others still, the rise was linked to buying of Pirelli stock by "friends" such as Fiat and the Orlando group. Only one banker suggested it was all merely good old speculation.

Mr Antonio Rossetti, Pirelli's jovial finance director, told the Financial Times he had no idea who was behind the buying and ruled out that "we or any of our friends are buying."

Then, late in the day, came news that Pirelli is paying $190m to buy Armstrong Tire Company of Connecticut.

Still later Pirelli said it was preparing a "major group reorganisation" but denied the share buying was tied to this. Yet it asked that trading in its shares be suspended today "to avoid speculation."

The reorganisation will be welcome to investors and analysts if it means the tyre and cable group produces its first consolidated balance sheet.

EUROPE

Small gains for bourses as corporate moves add life

STAKEBUILDING and other corporate news added life to Frankfurt, Milan and Paris yesterday, and the three European markets ended higher. Amsterdam continued to track Wall Street, however, and lost ground, *writes Our Markets Staff.*

FRANKFURT was dominated by trading in AEG, following Friday's share offer from majority shareholder Daimler, and ended slightly higher in otherwise lacklustre trading.

News that carmaker Daimler had offered DM200 for each AEG share it does not own - or one *Daimler share for every five* AEG shares – hit the electronics group sharply. It closed DM19.80 lower at DM207, a drop of 8.7 per cent on the day and 21.7 per cent below their high of DM264.50 reached in mid-March, when the latest round of speculation began.

Daimler added DM9 to DM637 – *after reaching a high of DM644* – amid news that it wanted also to increase its 65.5 per cent stake in the unlisted aerospace company Dornier.

Carmaker VW ended just DM1 lower at DM241.50 after announcing reduced losses at its Brazilian operation. The news was better than expected, and sentiment was also helped by the company's projections that it would break even there this year.

The dollar opened lower but recovered some ground to reach a fixing in Frankfurt of DM1.6621, still below Friday's DM1.6643. Exporting chemical stocks eased, with BASF DM1.20 lower at DM245.70.

The midday FAZ index eased 0.85 to 455.34.

Bonds were mixed with the 6½ per cent 1998 unit 10 pfg lower at 98.25, yielding about 6.23 per cent after 6.21 per cent on Friday.

MILAN saw a flurry of takeover activity and stakebuilding, with share prices closing firmer overall and the MIB index adding 3 to close at 1,071.

Speculation about tyre maker Pirelli – which later announced a takeover – led the day's rise, helped by news of an impending statement from insurance group Generali about Cie du Midi of France. There was also an acquisition by Olivetti.

Generali gained L350 to close at L88,900, and later said it had raised its stake in fellow insurer Cie du Midi from 8.95 per cent to 18.61 per cent. The move was part of its plan to create a European financial services group, one analyst said.

London

BLUE CHIP exporters led an early rise in London as equities continued to rally after worries over the US trade data.

But the outbreak of hostility in the Gulf, and uncertainty over the direction of the dollar and sterling, got the upper hand and gains were trimmed on Wall Street's weak opening. The FT-SE 100 index finished 9.2 higher at 1,787.8.

Olivetti was hit by chairman Mr Carlo De Benedetti's setback in his struggle for control of Société Générale de Belgique, and lost L60 to L10,930. The company later announced plans to acquire control of Norwegian data processing company Scanvest for a sum which was undisclosed, but thought to be small in relation to Olivetti's cash assets.

Other De Benedetti stocks to suffer were the Italian financier's holding company Cir, which fell L90 to L5,755 and Cofide, which eased *L5 to L5,495. However,* the market feeling about the La Générale struggle was "that the game is by no means over yet," said one analyst.

The market will hear today whether state-run agribusiness Sme, L54 stronger at L2,339 yesterday, will be up for grabs following a protracted court case on its sale.

PARIS continued to benefit from the pre-election rally and the market was buoyed by foreign buying of blue chips as well as renewed speculation surrounding insurer Cie du Midi.

Analysts said that after earlier uncertainty, the French market – highly susceptible to sentiment – was more confident the outlook for the economy would be little changed whether the right or the left emerged victorious from the presidential contest.

The opening CAC General index rose 5.8 to 302.6 after holding up relatively well following last Thursday's US trade figures and the Indicateur de Tendance showed a 0.60 gain to 108.80.

Prices came off the top in late profit-taking, but volume was estimated to be a little higher than Friday's FFr1.4bn.

Peugeot rose FFr28 to FFr1,058, forging a new high for the year, on bullish expectations about its *results due tomorrow. Moulinex* jumped FFr4.15, or nearly 7 per cent, to a 1988 high of FFr64.55, following a swing back into profit last year that took the market somewhat by surprise.

Cie du Midi climbed FFr18 to FFr1,630 as speculation grew that a takeover bid was imminent. Italy's Generali announced *shortly before trading* closed that it had increased its holding. It said at the end of last week that it did not want its previous stake diluted by Midi's capital increase.

Paper company Aussedat-Rey gained FFr13 to FFr522 on speculative buying.

AMSTERDAM fell back in thin volume as Wall Street opened lower after its steep losses last week. The all-share trend index was 0.4 down at 84.8.

But one or two stocks moved against the trend, with Royal Dutch gaining Fl 4.20 to Fl 231 as oil prices firmed on the latest flare-up of hostility in the Gulf.

Transport group Nedlloyd again saw some speculative interest, rising to Fl 249.30 before falling back to end off Fl 5 at Fl 243.

MADRID moved broadly higher but weakness in the banking sector held back the advance. The general share index added 1.55 to 274.87.

Utilities were strong on continuing optimistic reaction to the improvement in Fecsa's position. The food sector benefited from speculative interest following the bid for Ebro by Torras Hostench and the recent buying by Bilbao in wine producer Savin, up 50 percentage points at 1,130 per cent of par.

BRUSSELS gained slightly in quiet trading, with the general index rising 24.70 to 4,685.24 after Friday's sharp fall.

Chemical group Solvay added BFr300 to BFr12,400 in advance of today's results.

STOCKHOLM closed lower on weekend news that there might be a new tax on profits to cut companies' liquidity.

After fairly active trading the Affärsvärlden index closed down 7 at 791.8.

ASIA

Nikkei falls 222 to end at day's low

Tokyo

THE UNEXPECTEDLY large US trade deficit figures continued to weigh heavily on investors in Tokyo yesterday, helping drive share prices sharply lower, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average closed 222.12 down at 26,671.45, ending at the day's low against a high of 26,984.11. Volume shrank from Friday's 1bn shares to 564m. Declines led advances by 506 to 401, with 160 issues unchanged.

Many investors retreated to the sidelines following the US trade data news, to watch exchange rate and stock market movements in New York before determining their investment strategies.

Recently selected large-capital stocks fell on a wide front. Nippon Kokan gained Y4 in early trading, but came under small-lot selling pressure later to finish Y4 lower at Y405. The issue was the most active stock but volume totalled only 49.8m shares.

Mitsubishi Heavy Industries shed Y17 to Y730, Nippon Steel Y4 to Y478 and Kawasaki Steel Y8 to Y386.

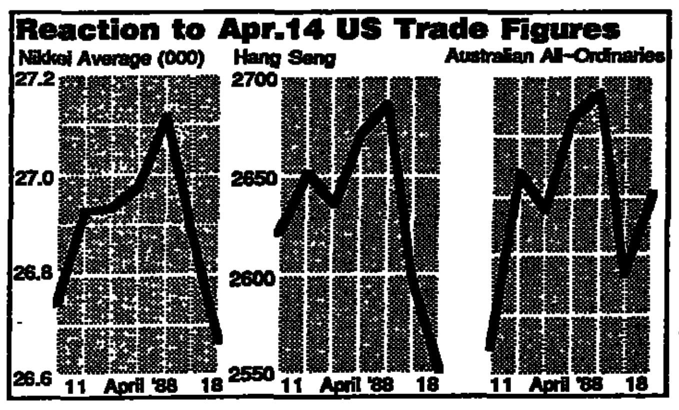
Small-lot selling depressed high-technology stocks, notably electricals. Matsushita Electric Industrial, which opened Y20 *higher, turned down later to end* Y70 lower at Y2,720. NEC lost Y60 to Y2,130, Sony Y140 to Y5,400 and TDK Y70 to Y4,610.

Precision Instruments fared poorly, with Nikon and Canon declining Y40 each to Y1,190 and Y1,250 respectively.

Mitsui Engineering and Shipbuilding was the second busiest issue with 24m shares changing hands, helped mainly by the company's advance into leisure-related business. However, the issue closed Y13 lower at Y330 after rising Y3 briefly.

Yokohama Rubber saw speculative buying and finished Y24 higher at Y742 after moving between Y731 and Y761. Isuzu Motors and Atsugi Nylon gained Y10 and Y30 to Y520 and Y1,050 respectively, on the strength of good business performances.

Reaction to Apr.14 US Trade Figures



Nippon Seiko rose Y15 to Y750, while Hitachi Seiki ended Y35 higher at Y769 on optimism that expanding corporate capital spending will increase orders for machine tools, helping their earnings positions.

Investor concern about short-term interest rate trends hit bond prices. The market made a firm start, helped by purchases of certificates of deposit worth Y100bn by the Bank of Japan at a rate of 3.99 per cent, slightly lower than the prevailing market rate. Later, however, the market turned easier as the Central Bank let one and two-month bill discount rates rise 0.0625 per cent each.

As a result, the yield on the benchmark 5.0 per cent government bond, maturing in December 1997, rose sharply to 4.360 per cent at one stage, but ended at 4.345 per cent compared with 4.290 per cent on Friday.

In over-the-counter trading later, the yield on the benchmark issue rose to 4.395 per cent on reports of attacks on Iranian crude oil platforms in the Persian Gulf by a US navy frigate.

Osaka Securities Exchange prices opened slightly higher, but selling began to increase in mid-morning, sending share prices moderately lower at the close.

The 250-issue OSE stock average fell 88.53 to 26,752.69, on an estimated volume of 55.7m shares, down 24.1m from Friday.

Rohm dropped Y120 to Y4,660 and Shikoku Electrical Construction Y40 to Y1,160. Nippon Dream Kanko continued to draw speculative interest and closed Y70 higher at Y1,430.

Australia

LOCAL institutions refused to be disheartened by Friday's sharp fall in Sydney or by poor performances in other world markets and went shopping for quality stocks, boosting share prices.

The All Ordinaries index rose 14.1 to 1,451.0 in thin volume marked by some nervousness. Gold-related and resource stocks dominated trade, in spite of relatively static international bullion prices, as fears of inflation in the US fuelled renewed interest in quality miners.

Western Mining took the lead among gold stocks, climbing 20 cents to A$5.40 as Niugini Mining gained 15 cents to A$4.05, Poseidon 5 cents to A$2.30 and Placer Pacific 3 cents to A$1.65.

Selective buying of oil and gas stocks helped push sector leader Santos up 10 cents to A$4.78, Ampol Exploration 7 cents higher to A$3.25 and Woodside Petroleum 6 cents up to A$1.75.

Buying pressure on industrials focused on selected quality stock, especially banks, media and insurance issues.

Rupert Murdoch's News Corp *added 30 cents to A$14.10 while* Christopher Skase's Qintex Australia put on 8 cents to A$2.20.

Hong Kong

SELLING pressure mounted in the afternoon following weakness in Tokyo, and the Hang Seng index lost 46.99, or 1.8 per cent, to close at the day's low of 2,551.96.

Properties led the way down with Sun Hung Kai and New World losing 20 cents each to HK$10.20 and HK$10. Hongkong Land lost 20 cents to HK$7.85 and Cheung Kong ended 5 cents lower at HK$7.35.

Hang Lung fell 30 cents to HK$4.90 pending today's meeting of Parry Corp's board to decide its relationship with Hang Lung, which has a 1.48 per cent stake in the company with an option to raise it to 34 per cent.

A return to trading after last Wednesday's suspension saw Rainbow Orient rise 70 cents to HK$3.80. Its controlling shareholder, New Zealand's Brierley Investments, has announced a buyout offer at about HK$4.04 a share.

Miramar Hotels shed 20 cents to HK$7.70 on news of a three-for-20 bonus issue of new shares with three warrants attached, and Wah Shing Toys slid 2 cents to 86 cents after reporting slightly lower annual profits.

Singapore

SPORADIC profit-taking and a lack of follow-through buying support left share prices lower, with a lower Tokyo market hitting sentiment.

The Straits Times Industrial index fell 2.72 to 930.72, after rising 1.81 points at midday.

Institutional investors stayed mostly on the sidelines amid uncertainty over the dollar's short-term trend. DBS Land closed unchanged at S$1 with about 2.9m shares changing hands, boosted by two block deals of 1m shares each.

Losing stocks included Island and Peninsular, down 54 cents, or 17 per cent, at S$2.68 and SEA Development off 53 cents, or 20 *per cent, at S$1.97. Both issues* are thinly-traded and would be hit by institutional block selling.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY APRIL 18 1988					FRIDAY APRIL 15 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (89)	121.22	+1.2	94.34	107.45	4.04	119.78	93.98	106.47	122.31	91.16	131.76
Austria (16)	92.02	−0.3	71.61	79.24	2.64	92.32	72.44	79.50	98.18	84.35	92.54
Belgium (65)	127.75	+0.6	99.42	110.11	4.51	127.02	99.67	109.48	139.89	99.14	118.09
Canada (126)	124.83	+0.8	97.15	111.36	2.96	123.86	97.18	110.63	125.49	107.06	130.88
Denmark (39)	118.65	−0.5	92.34	103.00	2.79	119.22	93.54	103.45	123.36	111.42	112.45
Finland (25)	124.76	−0.2	97.10	104.17	1.99	124.99	98.07	104.37	127.89	106.78	–
France (121)	87.84	+0.7	68.36	77.54	4.29	87.24	68.45	77.08	88.72	72.77	118.60
West Germany (99)	79.04	+0.4	61.52	68.07	2.69	78.72	61.76	67.95	80.79	67.78	93.90
Hong Kong (46)	100.63	−1.6	78.32	100.91	4.51	102.22	80.21	102.48	105.83	84.90	107.09
Ireland (18)	121.08	+0.2	94.23	106.00	4.19	120.83	94.81	105.84	123.91	104.60	118.17
Italy (102)	79.21	+0.4	61.65	72.88	2.57	78.86	61.87	72.60	81.74	62.99	108.97
Japan (457)	173.30	−1.1	134.87	135.84	0.52	175.25	137.51	137.20	177.27	133.61	156.09
Malaysia (36)	125.47	−0.4	97.65	124.07	2.92	125.99	98.85	124.55	129.74	107.83	147.29
Mexico (14)	135.73	−0.2	105.63	338.36	1.05	136.06	106.76	339.17	176.90	90.07	159.57
Netherland (38)	110.23	+0.8	85.79	93.50	4.88	109.36	85.81	92.94	110.66	95.23	115.49
New Zealand (22)	77.25	+0.4	60.12	62.33	5.29	76.97	60.39	61.85	79.15	64.42	96.04
Norway (25)	128.01	+2.1	99.62	106.81	2.76	125.32	98.33	105.20	129.29	98.55	130.14
Singapore (26)	107.53	−0.3	83.68	99.20	2.52	107.86	84.63	99.56	114.93	97.99	122.00
South Africa (60)	130.25	+0.8	101.37	82.71	5.06	129.24	101.41	82.49	139.07	118.16	174.37
Spain (42)	153.31	+0.7	119.31	127.93	3.33	152.24	119.45	127.44	155.36	130.73	115.03
Sweden (38)	120.70	−0.4	93.93	104.35	2.70	121.13	95.04	105.03	124.75	96.92	118.64
Switzerland (56)	82.31	+0.1	64.06	69.93	2.45	82.22	64.51	69.93	86.75	76.22	97.76
United Kingdom (330)	141.09	+1.4	109.80	109.80	4.34	139.18	109.21	109.21	141.09	123.09	128.75
USA (583)	105.51	−0.3	82.11	105.51	3.60	105.80	83.02	105.80	110.51	99.19	117.37
Europe (1014)	110.71	+0.9	86.16	91.40	3.83	109.72	86.09	91.01	110.71	97.01	114.81
Pacific Basin (676)	168.39	−1.0	131.05	133.26	0.70	170.17	133.53	134.53	172.26	130.81	153.32
Euro-Pacific (1690)	145.33	−0.5	113.11	116.64	1.66	146.00	114.56	117.25	147.53	120.36	137.95
North America (709)	106.54	−0.2	82.92	105.88	3.56	106.77	83.77	106.11	111.28	99.78	118.09
Europe Ex. UK (684)	91.89	+0.5	71.52	79.86	3.36	91.46	71.76	79.61	92.81	80.27	106.21
Pacific Ex. Japan (219)	109.12	+0.1	84.92	100.34	4.16	108.96	85.50	100.31	111.82	87.51	119.53
World Ex. US (1890)	144.47	−0.4	112.44	116.22	1.73	145.07	113.82	116.78	146.49	120.26	138.11
World Ex. UK (2143)	128.32	−0.6	99.86	112.82	2.09	129.03	101.24	113.41	130.28	111.77	130.13
World Ex. So. Af. (2413)	129.43	−0.4	100.73	112.73	2.30	129.92	101.94	113.21	130.96	113.26	129.72
World Ex. Japan (2016)	108.39	+0.2	84.36	100.48	3.70	108.16	84.86	100.45	110.99	100.00	117.61
The World Index (2473)	129.44	−0.4	100.74	112.52	2.31	129.92	101.94	113.00	130.92	113.37	130.00

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Swiss market closed on 18 April.